Dome Mines Limited

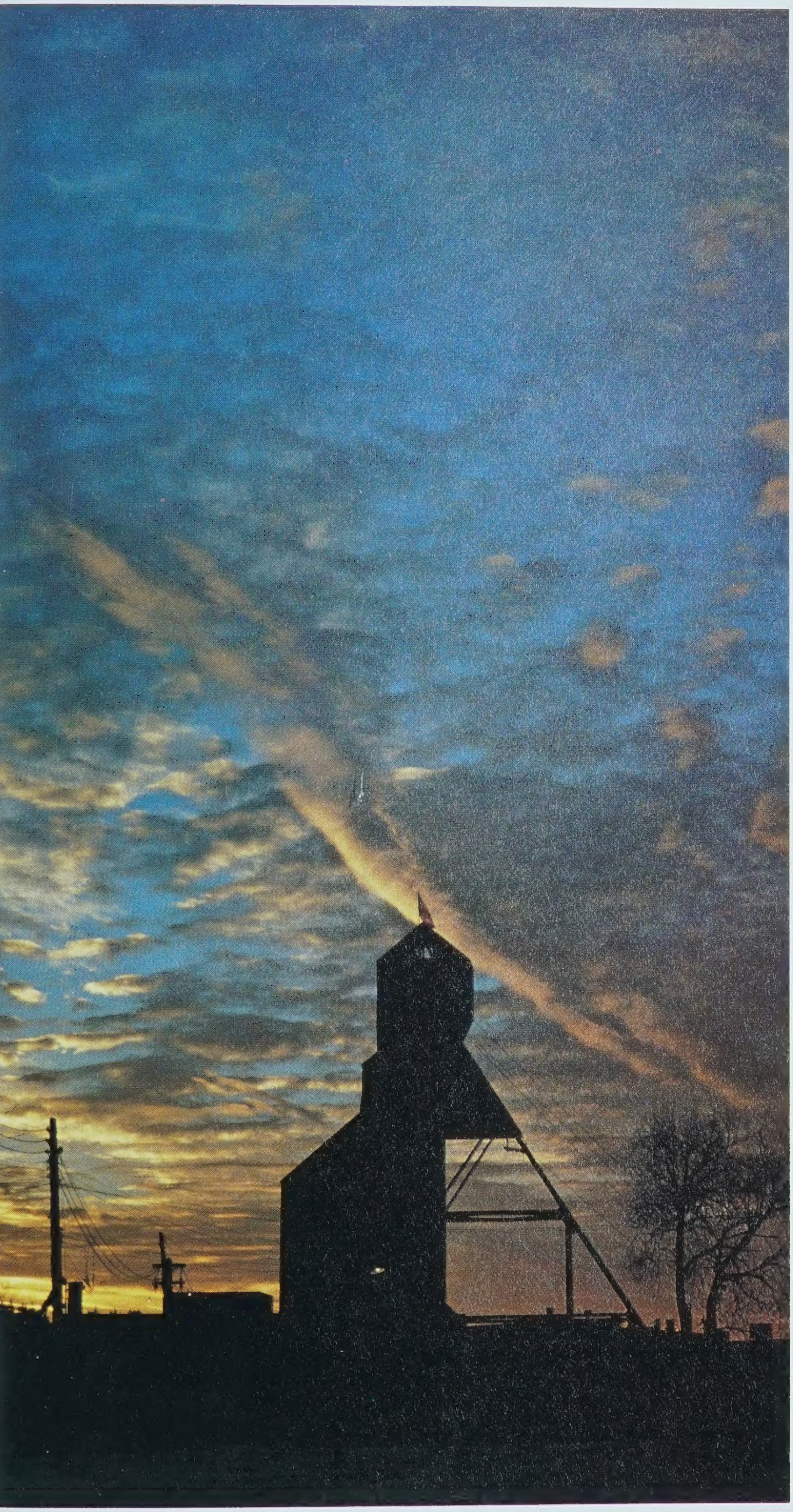
1980 Annual Report

Campbell Red Lake Mines Ltd
Sigma Mines (Quebec) Ltd

Annual Meeting

The Annual and Special Meeting of Shareholders will be held in the Alberta Room, Royal York Hotel, Toronto, Ontario on May 8, 1981 at 11:00 a.m. (Toronto time).

Dome Mines Limited



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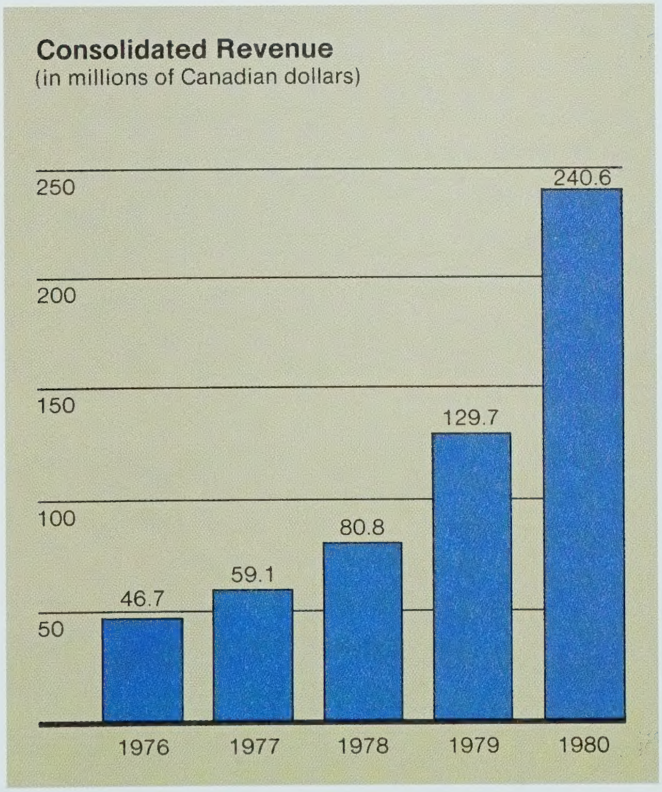
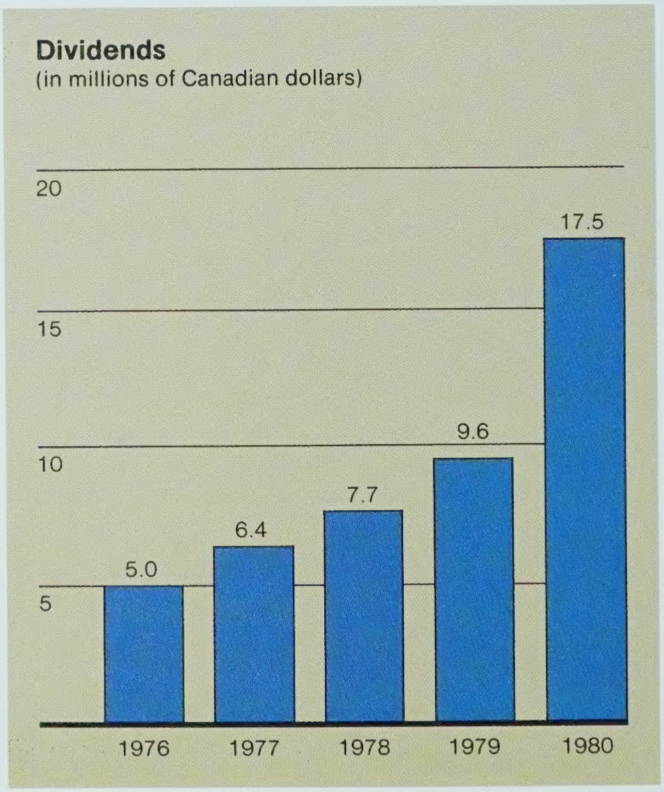
View of the headframe at Dome's South Porcupine property.

CONSOLIDATED HIGHLIGHTS

		1980	1979	1978
Financial Operations	Revenue	**$240,642,000**	$129,716,000	$80,830,000
	Operating costs	**$56,800,000**	$44,187,000	$39,155,000
	Income and mining taxes	**$106,000,000**	$49,679,000	$24,386,000
	Net income	**$126,543,000**	$89,280,000	$52,568,000
Financial Position	Working capital	**$57,204,000**	$64,842,000	$41,101,000
	Shareholders' equity	**$367,930,000**	$253,183,000	$188,959,000
Per Share	Net income	**$7.25**	$5.10	$2.95
	Dividends	**$0.90**	$0.49⅔	$0.40
Production	Fine ounces of gold	**329,086**	347,596	350,822
	Tons milled	**1,466,000**	1,455,000	1,473,000
Statistical Data	Number of employees	**1,526**	1,397	1,367
	Number of shareholders	**9,328**	7,540	6,793
	Shares outstanding	**19,398,062**	19,320,012	19,320,012





REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Earnings

The year 1980 was an eventful one for Dome Mines Limited and included record earnings. Consolidated net income increased by 75 percent to $126,543,000 or $7.25 per share from $72,409,000 or $4.14 per share in 1979 excluding the non-recurring gain on investments of $16,871,000 recorded in that year.

The price of gold was the dominant factor in the earnings increase. It opened the year at $559.00 U.S. per ounce, rose rapidly to peak at $850.00 on January 21, declined to a low of $474.00 on March 18, then commenced a gradual increase to reach a secondary high of $720.50 on September 23 and subsequently declined to close out the year at $589.50 U.S. per ounce. The average price received for consolidated sales during the year was $721.82 Canadian per ounce as compared to $373.18 per ounce in 1979.

Earnings from the Company's investment in Dome Petroleum Limited were $62,786,000, an increase of 53 percent from the $41,143,000 earned last year.

Mine operations

Higher gold prices have dictated a review of current mining practices and grades at all mine locations. In the case of the Dome mine at South Porcupine, this has resulted in a decision to proceed with plans to increase existing mill capacity by 50 percent to 3,000 tons per day. Gold output will increase from the current level of 86,000 ounces to 119,000 ounces per year once the project is completed in 1984. At the same time it was recognized that, at a mining grade of 0.11 ounces per ton, the indicated life of the mine will extend far into the future. This has resulted in a decision to upgrade existing plant facilities, much of which dates from the early years of this century. As a consequence, estimates of the overall cost of the expansion and upgrading have been increased to $91,900,000.

At Campbell Red Lake, the plant expansion undertaken in 1978 to increase production by 30 percent has been completed on time and within budget and will contribute to earnings commencing in 1981. Surface and underground development on the property is continuing in order to assess the appropriate level of future operations.

At Sigma, grades have continued to decline and management is conducting an active underground exploration program in order to maintain this highly efficient operation and extend the life of the mine. In part because of its own limited potential at depth, Sigma is also involved in extensive geological exploration in the immediate Val d'Or area.

Malcolm A. Taschereau, President (left) and A. Bruce Matthews, Chairman

Safety

During the year public attention focussed on a sudden increase in fatal accidents in the mining industry in both Ontario and Quebec. While the record of your Company has always compared favourably with the industry average, added emphasis is being placed on improving safe working conditions and practices at all work sites.

Outside mineral exploration

Mineral exploration in most instances involves a significant time lag between the initial grass roots effort and the identification of a potentially economic deposit. During the past decade, the Company has conducted an ever increasing level of exploration activity with positive results now beginning to appear. Two gold deposits are of particular interest, one in northwestern Ontario and the other in the Cariboo district of central British Columbia. The Ontario project, a joint-venture managed by Dome Exploration (Canada) Limited, is currently under development with drill-indicated reserves exceeding one million tons grading approximately 0.2 ounces of gold per ton and with further potential. On the property in British Columbia, a drill-indicated reserve of 750,000 tons grading 0.2 ounces of gold has been outlined to date. Further surface work is contemplated prior to any decision regarding underground development.

Detour Lake

The Detour Lake project is well underway and Dome and Campbell have earned their respective 25 per cent interests through the expenditure of $5,000,000 each. Approval of the participants was obtained early in 1981 for the expenditure during the year of $23,000,000. The total cost of the construction program is estimated to be $143,000,000 with commencement of production scheduled for late 1983.

Oil and gas

During 1980 Campbell and Sigma embarked upon a program of investment participation in oil and gas in Western Canada. This investment constitutes a new area of business for Campbell and Sigma, separate and distinct from their primary business of gold mining. Under the program, which involves both producing and non-producing properties, Campbell and Sigma participate to the extent of 4 percent and 1 percent respectively. The other participants include subsidiaries of Dow Chemical of Canada Limited (12½ percent) and TransCanada PipeLines Limited (12½ percent) and Dome Petroleum Limited (70 percent) which will act as operator of the program.

Outlook

Experience, particularly during the past year, has indicated that wide fluctuations in the price of gold will continue to occur. However, it remains a firm belief of the Company that the median market price will rise at a pace which, due to gradual depletion of total world reserves, will somewhat exceed the rate of inflation. The profitability of current operations and development projects are not jeopardized at current price levels and are proceeding as planned.

Employee benefits

Continuing a plan implemented in 1979 the Company again purchased its own shares on the open market for distribution to its non-executive salaried and hourly employees at no cost to them. All reports indicate this program has been well received and has increased our employees' interest in the efficient operation and growth of our companies.

The Company's regular and salaried pension plans were adjusted early in 1981 to improve the benefits available to both active and retired employees. This was the second such adjustment made to take into account the effects of inflation, particularly on our retired members living on fixed incomes.

Dividends

The increased profitability of the mine operations again permitted an increase in dividend rates. The total declared during the year rose to $0.90 per share as compared to $0.49⅔ per share in 1979.

Management and staff

Two additions to senior management were made during the year as a result of the expanding nature of the group's operations. Mr. Kenneth P. Wright was appointed Chief Metallurgist and an officer of the Company. Mr. Kenneth J. Hill was appointed Project Manager of the Detour Lake project. Support staff have also been added and larger office space has been taken in new premises.

Directors

The Company lost two experienced directors with the passing of Messrs. F. W. Pershing and J. K. McCausland. Warren Pershing served with distinction on the Dome Board for forty years. Jack McCausland, in addition to serving as a Director of Campbell since 1952, was elected to the Dome Board in 1975. Mr. McCausland's financial mind and sound judgement commanded the utmost respect.

Clifford L. Michel found it necessary to submit his resignations as Director of Dome and Sigma due to other commitments and it is with sincere regret that these were accepted.

On March 18, 1981 Mr. René Amyot and Mr. Alan R. McFarland were elected to the Board of Directors. Mr. Amyot has served as a Director of Sigma since 1979.

Acknowledgements

The Directors gratefully acknowledge the results achieved by management and staff throughout the year and thank all employees for their contributions to the success of the Dome Mines group of companies.

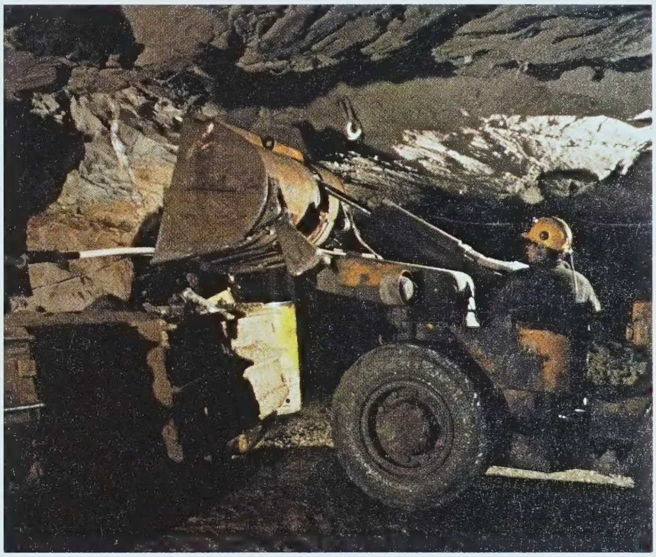
A. BRUCE MATTHEWS
Chairman

MALCOLM A. TASCHEREAU
President

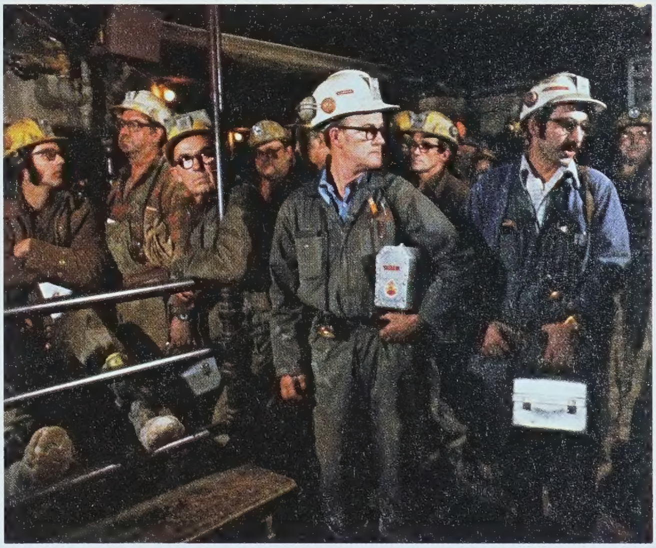
March 18, 1981

REVIEW OF DOME MINES OPERATIONS

	1980	1979	1978
	(in thousands of dollars)		
Bullion revenue	$62,578	$35,149	$21,782
Operating costs	$24,619	$19,418	$17,093
Operating income less exploration	$35,640	$14,395	$3,754
Income and mining taxes	$21,210	$8,028	$3,132
Fine ounces of gold	85,893	94,702	94,161
Tons milled	678,000	664,000	679,000
Grade treated — ounces/ton	0.132	0.148	0.144



Gold production in 1980 at the South Porcupine mine was 85,893 ounces as compared with planned production of 85,000 ounces for the year and 94,702 ounces in 1979. The mill treated 678,100 tons averaging 0.132 ounces per ton. Tonnage treated was 3 percent below the planned level of 700,000 tons due to increased down time of equipment in the grinding section of the mill. A modest improvement in the grade of ore treated and in mill recovery resulted in gold production being slightly above schedule.



Total operating costs were $35.65 per ton milled in 1980, an increase of 22 percent over 1979. The increase in costs is due primarily to a 15 percent increase in wages, effective February, 1980, a significant increase in the costs of materials and services, a 27 percent increase in development and an increase in tons of ore broken. A breakdown of unit costs per ton milled by major activity is presented below:

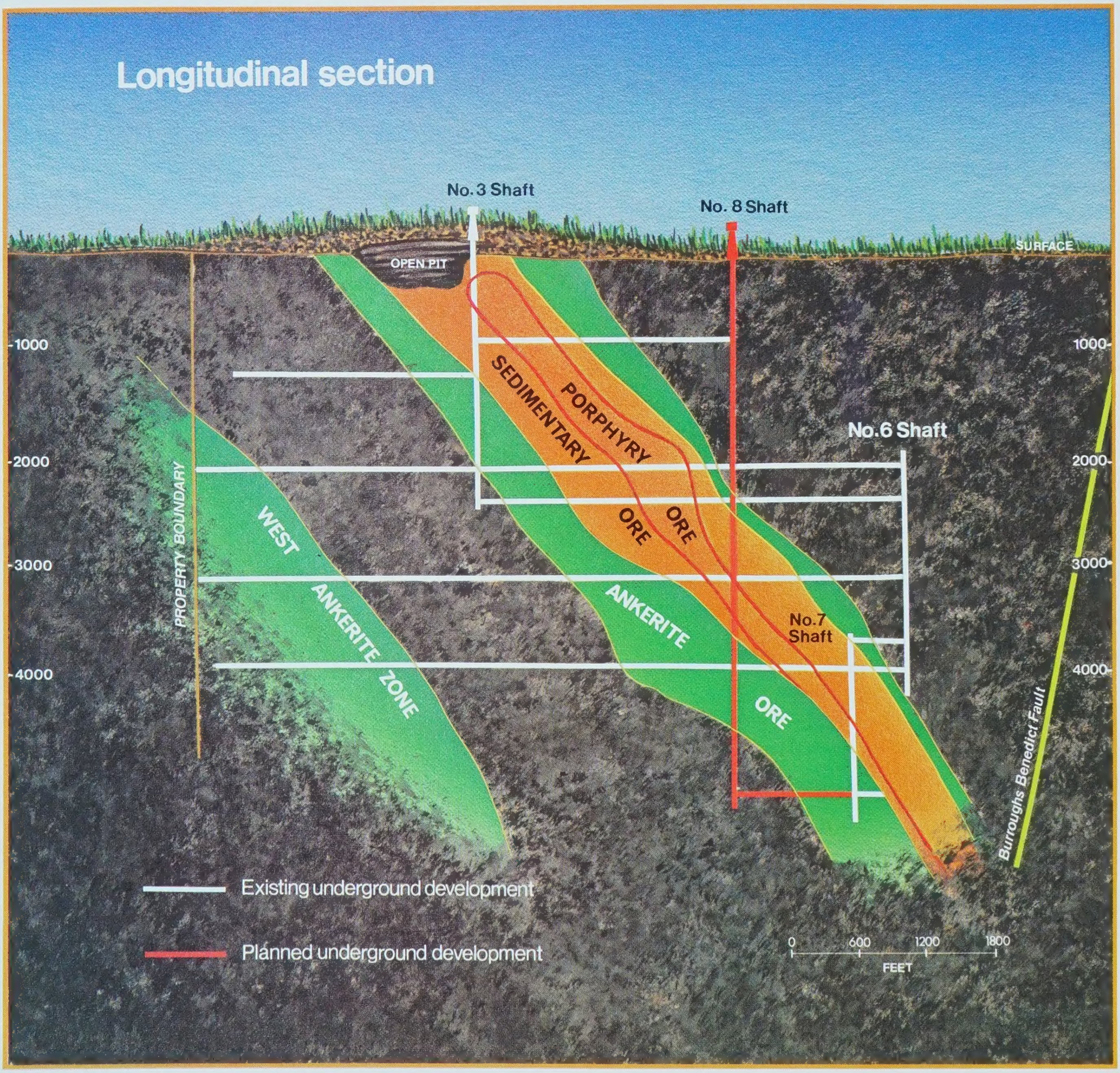
	1980	1979
Development	**$ 2.80**	$ 2.10
Mining	**17.88**	15.16
Milling	**6.38**	5.30
Plant, administration and other	**8.59**	6.69
	$35.65	$29.25

Underground mining activities at Dome

Mine expansion

In February, 1980 plans were announced to proceed with the construction of facilities to increase mill throughput to 3,000 tons per day by October, 1984 from the present 2,000 tons per day. Detailed estimates now indicate that the capital cost, including escalation, will be $91,900,000.

The required underground program will include a 5,400-foot shaft from surface (No. 8 Shaft), head-frame, hoisting facilities, ore and waste bins, level stations, ore and waste passes, crusher installation and other associated facilities. The first phase of the shaft contract, which includes the reaming of a six-



An east-west longitudinal section of the Dome property, illustrating the location of ore zones, existing shafts and the future location of No. 8 shaft.

foot diameter hole in four segments to the 4,000-foot level was awarded in December, 1980 and work commenced in early January, 1981. The contract documents for the remainder of the shaft project have been submitted for tender.

The mill program includes (1) complete replacement of existing ore storage, grinding, amalgamation, precipitation and thickening facilities, (2) alterations to the secondary crushing and conveying sections, (3) new fire protection and process water storage facilities and (4) additional agitation and dewatering capacity.

The first phase of construction is directed towards the completion of the new grinding section as soon as possible because of increasing maintenance problems with the existing units. The second phase will be timed to ensure that the additional treatment capacity is available in all sections prior to October, 1984.

The dewatering of No. 7 Winze which commenced in August, 1980 is ahead of schedule and is expected to be completed in March, 1981. Necessary services will be installed upon completion and a 2,000-foot drive will be started at the earliest possible date on the 37th level to reach the proposed No. 8 Shaft location.

Mine property exploration

Diamond drilling in the year amounted to 61,785 feet compared with 37,637 feet for 1979. Seventy percent of the drilling consisted of short length holes to outline extensions of known zones and to act as a guide to mining. The remaining footage consisted of long down holes drilled to the south from the 29th level at the west end of the property from six diamond drill stations to investigate down dip extensions of the west end ankerite zone.

Development

Development work for the year totalled 8,256 feet, an increase of 27 percent when compared with 1979. This increase was to provide access to the proposed No. 8 Shaft location on four levels for shaft sinking purposes. Some significant ore extensions, both laterally and horizontally, were outlined in 1980 but no new major zones were discovered. Development and diamond drilling footage by area are presented below:

Area	Drifts and crosscuts	Raises	Total	Diamond drilling
No. 3 Shaft	3,199	1,032	4,231	23,280
No. 6 Winze	2,477	1,548	4,025	38,505
Total 1980	5,676	2,580	8,256	61,785
Total 1979	4,014	2,476	6,490	37,637

The development of additional mining areas to support the expansion has begun and will be a major activity for the next four years. The present number of crews is adequate to meet these requirements.

Ore reserves

Ore reserves as at December 31, 1980 were estimated to be 2,149,500 tons averaging 0.206 ounces per ton as compared with 1,896,000 tons averaging 0.216 at the end of 1979. The 13 percent increase in reserve tonnage results from additional development in the form of drifting, sill drifting and raising plus the addition of No. 7 Winze ore as reserves. Details of ore reserves as at December 31, 1980 and extraction during the year by area are shown in the following table:

	Reserves		Extraction	
Area	Tons	Grade	Tons	Grade
No. 3 Shaft	565,300	0.207	392,700	0.140
No. 6 Winze	1,489,300	0.202	285,400	0.119
No. 7 Winze	94,900	0.249		
	2,149,500	0.206	678,100	0.131

Mine

Of the 678,100 tons delivered to the mill in 1980, 600,000 tons averaging 0.134 ounces per ton were from stopes and 78,100 tons at 0.105 ounces per ton resulted from development activities.

	1980	1979
Stoping —		
Cut-and-fill	**39%**	33%
Shrinkage	**2**	2
Long-hole	**56**	61
Development	**3**	4
	100%	100%

Work continued during the year on the development of more productive mining methods.

Mill

The results of milling operations for 1980 and 1979 are as follows:

	1980	1979
Tons treated	**678,100**	663,900
Grade treated — oz./ton	**0.132**	0.148
Recovery — %	**96.4**	96.2

The installation of three used drum filters, begun in 1979, was completed in late 1980. The use of these filters resulted in an increase in the percentage of gold recovery towards year end in spite of a reduction in millhead grade.

The life expectancy of the two tailings disposal areas in current use is four to five years at the present production rate. A tentative site selection has been made for a replacement area and a study is in progress to determine its suitability.


H. V. Pyke
Mine Manager

Capital expenditures

The shop complex foundations were completed in December and steel is being erected for the pre-engineered building. The shops will be completed by mid-1981 and the warehouse and cold storage additions will be completed in early 1982. The new process water pipeline was 60 percent complete at year end and will be finished by April, 1981. Capital expenditures on non-expansion items are estimated to be $2,512,000 in 1981 and expansion expenditures are estimated to be $26,400,000.

Capital expenditures in 1980 totalled $3,427,000 compared with $1,057,000 in the prior year. Details of these expenditures are shown in the following table:

Regular capital	$1,270,000
Shop complex and process water line	1,084,000
Expansion —	
Shaft	582,000
Mill	491,000
	$3,427,000

General

The labour agreement with the United Steelworkers of America expires on April 17, 1981. Bargaining for a new agreement began in January, 1981.

The total number of employees at the property increased from 650 at the end of 1979 to 697 at the end of 1980 as underground development work and surface construction started for the expansion program. Wages and salaries and other major items aside from capital and exploration expenditures are listed below:

Wages and salaries	$15,657,000
Supplies and services	$6,958,000
Income and mining taxes	$21,210,000

As a result of a determined effort by all employees, the frequency of compensable injuries in 1980 was 18.2 per million man hours as compared with 37.2 for 1979, a reduction of 51 percent. The frequency rate compares favourably with average industry experience but increased attention will be directed toward ensuring that safe working conditions are provided and that safe working practices are followed in all areas of the operation.

REVIEW OF SIGMA OPERATIONS

	1980	1979	1978
	(in thousands of dollars)		
Revenue —			
Mining	$38,649	$24,512	$16,910
Oil and gas	$620		
Operating costs —			
Mining	$13,685	$11,558	$10,418
Oil and gas	$357		
Income and mining taxes	$12,690	$6,842	$3,344
Net income	$14,167	$7,446	$4,273
Fine ounces of gold	53,657	67,889	73,115
Tons milled	484,000	491,000	493,000
Grade treated — ounces/ton	0.115	0.143	0.153

Map of the mine sites and the Detour Lake property.

Net income of Sigma was $14,167,000, an increase of 90 percent from last year. Dome Mines owns 66.2 percent of this Val d'Or, Quebec producer.

Mine operations

Bullion revenue for the year increased 58 percent to $38,649,000. Although the number of ounces produced declined, revenue per ounce averaged $720, up from $361 in 1979 and $231 in 1978.

During 1980, the mill treated 483,851 tons of ore and produced 53,657 ounces of gold as compared with a planned production level of 61,500 ounces and 67,889 ounces in 1979. The grade of ore mined decreased from 0.143 ounces in 1979 to 0.115 in 1980. The production forecast for 1981 is 57,900 ounces of gold.

Gold production fell significantly in 1980 as a result of mining and grade problems due to:

(1) the loss of access to a shrinkage area supplying approximately 20 percent of the mill feed for most of the year

(2) the loss of five shrinkage stopes which were stopped for the mining of flats or because of the ore pinching out earlier than anticipated

(3) the reduction of tonnage from the higher grade cut-and-fill stopes as a result of difficult ground conditions and a shortage of miners and

(4) lower than expected grades from the "flat" or room and pillar stopes caused by reduced continuity and extent.

Tonnage shortfalls due to mining problems during 1980 were largely made up by drawing lower grade material from existing broken reserves or as overdraw from previously mined out areas.

Ore reserves at the end of 1980 were estimated at 1,222,900 tons including 188,200 tons of broken ore. Reserves declined by 17,000 tons during the year and the estimated grade of 0.195 ounces per ton dropped 3 percent. A thorough review of information gathered in the past through diamond drilling and development was conducted in 1980. This study did not identify any major new zones but a substantial tonnage of lower grade potential reserves was shown to exist as remnants and isolated blocks.

In 1979 it was reported that a hole drilled to the north from the 29th level intersected gold bearing quartz veins at points 3,700 and 4,300 feet north of the shaft and, due to hole deflection, 450 feet above the level. These intersections were confirmed by a wedged offset and a 2,500 foot crosscut was started to this area on the 29th level. In February, 1981 the crosscut intersected the first vein structure, to be designated as the 'S' Zone, and low gold values have been indicated for 100 feet along strike. Diamond drilling is now underway to more fully test the area before planning the next stage of the exploration program.

Early in the year the mine staff prepared a preliminary long term production plan based on proven ore and the additional potential reserves indicated as remnants and isolated blocks. This plan, which made no allowance for new discoveries, indicated five years of full production followed by ten years of gradually decreasing production. Flexibility in the past of having spare stopes to compensate for grade or tonnage reductions has been severely reduced as indicated by the 1980 results. Discovery of new zones will assist in extending the period of full production longer than currently anticipated, and an aggressive exploration program will be continued at the property and in the Val d'Or area.

Total operating costs were $28.28 per ton milled in 1980, an increase of 20 percent over 1979 due to higher costs for supplies, an average 15 percent increase in wages and an increase in the cost of the Company's pension plans.

The labour force was 410 at year end, an increase of 32 from 1979. This includes the addition of 20 miners towards year end which has had a beneficial effect on mine production.

Oil and gas

Sigma's income from oil and gas interests was $263,000 on revenues of $620,000 after payment of all royalties. Sigma's participation in oil and gas is described more fully on pages 17 and 18.

Mine supervisors examining a shrinkage stope at Campbell.

REVIEW OF CAMPBELL OPERATIONS

	1980	1979	1978
	(in thousands of dollars)		
Revenue —			
Mining	$136,314	$70,055	$42,138
Oil and gas	$2,481		
Operating costs —			
Mining	$16,708	$13,211	$11,644
Oil and gas	$1,431		
Income and mining taxes	$72,100	$34,809	$17,910
Net income	$57,523	$27,319	$17,009
Fine ounces of gold	189,536	185,005	183,546
Tons milled	304,000	300,000	301,000
Grade treated — ounces/ton	0.638	0.656	0.653

The Company's 56.9 percent owned subsidiary, Campbell Red Lake Mines Limited, had net income of $57,523,000 in 1980, an increase of 111 percent from the previous year.

Mine operations

The rise in earnings was primarily a result of record prices for gold bullion. Bullion revenue increased 95 percent in 1980 as the average price realized on sales was $719 per ounce compared to $379 in 1979 and $230 in 1978.

The mill produced 189,536 ounces of gold in 1980 from 303,797 tons of ore, compared with 185,005 ounces from 300,178 tons last year. The number of ounces produced was higher than would otherwise have been the case as a result of the recovery of gold from equipment taken out of service as part of the expansion program. This additional recovery more than offset production lost in May from an eleven-day shutdown due to forest fires threatening the Red Lake area.

Mine operating costs per ton increased 25 per cent in 1980 to $55.00 per ton milled. In addition to higher costs due to inflation, increased activities underground and on surface were required to support the expansion program. Depreciation, marketing and Toronto office costs also increased during the year.

The plant expansion undertaken in 1978 to increase production by 30 percent has been completed on time and within budget and will contribute to earnings commencing in 1981. The preparation of additional mining areas is now well under way and mine production will be increased gradually throughout the year. In 1981, the mine is expected to produce 365,000 tons of ore from which 203,000 ounces of gold will be recovered. The operation will be at full capacity throughout 1982 with production scheduled to be 212,000 ounces from 390,000 tons of ore.

Surface and underground development on the property is continuing in order to assess the appropriate level of future operations. Three areas of significance have been identified, and development programs to examine their potential will be initiated in 1981.

A planned 5,000 foot exploration drive to the northwest on the seventh level to investigate the old H. G. Young area could not be started during 1980 as all skilled miners were required for development activities related to the expansion program. Because a significant amount of information was already available from diamond drilling down to the 7th level it has been decided to drive to this area on the 9th level instead, in order to extend knowledge of the zone as much as possible at the early stages of the exploration program.

The second area of interest lies 1,000 feet to the north of the shaft in the general vicinity of the G Zone. Diamond drilling to date has indicated continuity from the 14th to the 8th level and the zone is open on the top and bottom. Further diamond drilling is scheduled in 1981 and development on the 12th level is planned.

A single vein structure has been indicated by wide spaced diamond drilling to the south. As these holes are over 1,000 feet long the next step will be to drive to the area on the 14th level to investigate the occurrence by drifting on the structure. The possibility of vertical extensions has not yet been investigated on other levels.

Proven ore reserves as of December 31, 1980 were estimated to be 2,250,200 tons at an average grade of 0.617 ounces per ton. This represents an increase of 273,700 tons during the year. The planned drop in mine grade from the 0.657 ounces per ton reported last year reflects the development of lower grade material.

Oil and gas

Campbell's revenues from producing oil and gas properties, after deduction of royalties, amounted to $2,481,000 while operating income before taxes was $1,050,000. Campbell's oil and gas operations are described in further detail on pages 17 and 18.

OUTSIDE MINERAL EXPLORATION

Dome Exploration (Canada) Limited conducted the most extensive mineral exploration program in its history. The level of activity increased significantly, with expenditures increasing by 97 percent to $5,908,000, excluding work on the Detour Lake project. The degree of participation of each company in an exploration project depends on the date the project originated and its location, as indicated in the following table.

	PROJECTS ORIGINATING			
	Prior to Jan. 1, 1977	After Jan. 1, 1977		
		Ontario	Quebec	Elsewhere
Dome Mines Limited	40%	50%	Nil	50%
Dome Petroleum Limited	33%	Nil	Nil	Nil
Campbell Red Lake Mines Limited	21%	50%	Nil	40%
Les Mines Sigma (Québec) Limitée	6%	Nil	100%	10%

Diamond drilling on a tin prospect in the Yukon Territories

During the year 32 new projects were initiated, which raised the number of active projects during the year to 79, including participation with outside interests in joint ventures. As in prior years, all base and precious metals were included in the search although the emphasis was on gold, our particular sphere of expertise. About 92 percent of expenditures were in Canada with the remainder in the United States. Projects in the provinces of Ontario and Quebec accounted for 70 percent of the total with emphasis placed on areas near our producing mines.

The 1980 program included 4,000 line miles of airborne geophysical surveys (1979 — 2,300 miles), 930 miles of ground geophysics (1979 — 370 miles) and more than 300 drillholes totalling 171,000 feet (1979 — 150 holes totalling 62,000 feet). A total of 2,211 claims were staked, more than double the 1,040 claims staked in the prior year.

The results of the past year's efforts were encouraging, particularly on four properties on which we have been working for a number of years. Each of these four projects originated prior to January 1, 1977.

In northwestern Ontario, a significant gold occurrence was discovered after more than six years of continuous exploration on a large property on Opapimiskan Lake, approximately 80 miles north of Pickle Lake. Two zones of gold mineralization in a banded iron formation have been outlined and drill estimated reserves are in excess of one million tons of material grading 0.2 ounces of gold per ton. Dome Exploration, operator of this joint venture, has a 35 percent participating interest. Four diamond drills operated during the 1980-81 winter season and studies are in progress to determine the next stage of exploration and development on this most interesting deposit.

In the Cariboo district of central British Columbia, two major drilling programs were completed in 1980. To date, drill-indicated reserves of 750,000 tons grading 0.2 ounces of gold per ton have been outlined in a compact deposit located close to surface. An extensive work program, including further surface drilling, is scheduled for early 1981.


Trench exposing bedrock at a gold prospect in the Quesnel River area of B.C.

In Quebec, a major drilling program was carried out on a gold prospect near the Sigma mine, which is 70 percent owned by the Dome group. Surface drilling is being continued in an attempt to increase currently indicated tonnage to a level which would justify underground exploration.

In the Yukon, participation on an equal basis with an outside partner continues in a joint venture exploring several tin prospects within a few miles of The Alaska Highway. On one of these prospects, a medium grade skarn deposit of moderate size potential is indicated. Further work has been scheduled for the coming year.

The increased exploration activity has resulted in the need for additional staff. Ten full-time geologists and seven support staff are now employed by Dome Exploration. Field offices are located in Timmins, Ontario and Reno, Nevada. In addition, some work in the vicinity of our existing mines is carried out under the direction of the mine geologists.

DETOUR LAKE

A decision has been made to proceed with a program to develop, as a joint venture, a gold mine in the Detour Lake area of northeastern Ontario. The development plan calls for an open pit mine to be in operation by October 1, 1983 at a milling rate of 2,000 metric tonnes per day. Current plans call for mill capacity to be increased to 4,000 tonnes per day in 1987 at which time the additional ore will be provided from an underground mine. Costs prior to start-up in 1983 are estimated to be $143,000,000.

The property is located approximately 125 miles northeast of Timmins, Ontario and 8 miles west of the Quebec border. The original claims were staked by Amoco Canada Petroleum Company Ltd. in 1974. Dome and its subsidiary company, Campbell Red Lake Mines Limited, entered into an agreement whereby each obtained the right to earn a 25 percent interest in the property through the expenditure of $5,000,000. Early in 1981, Dome and Campbell earned their combined 50 percent interest in the property. Campbell acts as operator of the work program and prepared the detailed feasibility study which formed the basis of the development plan.

Location of the Detour Lake property.

1980 Program

The purpose of the 1980 work program was to develop an understanding of the nature of the gold occurrences in the various zones and their relationship to each other. Including work begun in late 1979, a total of 3,269 meters of underground development and 9,691 meters of diamond drilling were completed by year end. To the end of 1980, Campbell and Dome had expended $4,360,000 each on the project.

Ore reserves

Three distinct types of ore have been identified. These are:

- A chert zone which is in an area of intense quartz fracturing found within and adjacent to a chert-tuff horizon and containing above average concentrations of gold and sulphides.
- Quartz-fracture zones with gold values found in association with mineralized quartz veins within basaltic flows. The most significant zone lies adjacent to and in the hanging wall to the north of the chert horizon. Six other quartz-fracture zones with similar characteristics have also been identified.
- Talc-carbonate zones in the footwall of the chert-tuff horizon containing gold values in association with sulphides and minor quartz fracturing. The largest zone of this type outlined to date lies adjacent to the chert zone footwall opposite the main quartz fracture zone.

For ore reserve estimation and mine planning purposes, the talc-carbonate and the quartz-fracture zone adjacent to the chert zone have been combined with the chert zone in that area to form the Main Zone. The Main Zone dips to the north at 60° to 90° with a westerly plunge of 30° to 60°. Surface diamond drilling indicates that the Main Zone has continuity to the 550 meter (1,800 foot)

level and is open to depth. On the 120 meter level, the Main Zone is 300 meters long and, on average, 40 meters wide.

Based on surface diamond drilling, ore reserves including dilution, have been estimated as follows:

	Tonnes	Grams per tonne	Ounces per tonne
Main Zone	16,041,000	4.36	0.140
Other zones	11,692,000	3.22	0.104
	27,733,000	3.88	0.125

Ore estimates include 4.66 grams of silver per tonne and 0.205 percent of copper.

The probability of adding to the reserves is good. The Main Zone is open to depth and indications of mineralization away from the defined zones provide excellent exploration targets.

Mining plans

Initially mill feed will be supplied from an open pit. At 2,000 tonnes per day, the pit has an estimated life of 5½ years to a depth of 120 meters. Average depth of overburden is approximately 15 meters. The waste to ore ratio is calculated to be 3.1:1. Pit stripping will begin early in 1982.

Mobilization for underground development will commence toward the end of 1983 with the objective of supplying ore at the rate of 2,000 tonnes per day in 1987. Underground production will be expanded to 4,000 tonnes per day once the pit reserves have been exhausted. Given the dimensions of the Main Zone and excellent rock conditions a blasthole mining method has been selected. Mine access will be provided by a five compartment, rectangular timbered shaft sunk initially to a depth of 565 meters.

Ore zones and underground development at the 120 meter level of the Detour Lake property.

Processing

Extensive testwork has shown that good gold recoveries can be obtained with standard cyanidation techniques. The major components of the metallurgical process include autogenous grinding, cyanidation, carbon-in-pulp gold recovery, bullion refining, copper flotation and effluent treatment.

Construction

Capital expenditures prior to start-up in 1983 are estimated to be $143,000,000. Approval of the participants has been received for the expenditure in 1981 of $23,000,000 for the construction of a permanent camp, site roads, water supply and other services. In 1982 all major buildings will be erected and preparation for open pit mining will begin. Equipment for the processing and other service facilities will be delivered and installed in 1983. All construction material for the project will have to be delivered to the site over a winter road.

Road and power

The property is relatively inaccessible with Cochrane, to the southwest, being the nearest community. Agreement in principle has been reached with the Government of Ontario regarding construction of ninety-four miles of road to provide access from the Cochrane-Iroquois Falls area. Completion is expected prior to start-up in 1983.

Negotiations with Ontario Hydro are underway with respect to supplying power to the site. The region currently has sufficient power to supply the mine's needs. At least ninety miles of new line will be required and route alternatives are being studied.

K. J. Hill
Project Manager
Detour Lake Project

Personnel

At the start of production the operating work force will total 270 and will increase to 490 over a five-year period as open pit mining is augmented and then replaced by underground methods. No townsite is planned at the mine location. Employees will be transported to and from work on a rotational basis. It is expected that most of the personnel will be attracted from Cochrane, Iroquois Falls and Timmins.

OIL AND GAS OPERATIONS

Net proved reserves	
Oil and natural gas liquids — bbls.	5,898,000
Gas — billion cubic feet	39.0
Land holdings — acres	
Gross working interest	20,400,000
Net working interest	560,000
Gross royalty interest	1,915,000

During the year, the Company's subsidiaries, Campbell and Sigma, diversified into the exploration, development and production of oil and gas in Western Canada. As of July 1, 1980 Campbell and Sigma acquired 4 percent and 1 percent working interests respectively in certain producing properties and wells in progress for a total consideration of $42,260,000. Dome Petroleum is the operator of these properties.

In addition, Campbell and Sigma concluded agreements as of July 1, 1980 and earned 4 percent and 1 percent interests respectively in all of Dome Petroleum's onshore, non-producing oil and gas lands in Western Canada in return for a commitment to incur and pay $99,480,000 of exploration costs in 1980 and 1981 in a program managed by Dome Petroleum. The area of mutual interest does not include lands in the Arctic Islands and off-shore acreage and the companies do not participate in oil sands or other non-conventional oil recovery projects. To December 31, 1980 Campbell and Sigma had incurred $19,609,000 of the committed exploration expenditures.

The exploration agreement provides that Campbell and Sigma will contribute their share of future exploration and development costs associated with these properties. Campbell and Sigma each have the right to participate to the extent of 4 percent and 1 percent respectively in future acquisitions of producing or exploration lands by Dome Petroleum in the area of mutual interest.

The agreements by which Campbell and Sigma obtained their interests contain terms and provisions substantially similar to those by which third parties acquired and hold their respective interests in the same properties. In addition to Dome Petroleum, the other participants include subsidiaries of Dow Chemical of Canada Limited and TransCanada PipeLines Limited.

Exploratory drilling in the foothills of southwestern Alberta.

Operations

At December 31, 1980 Campbell and Sigma owned proved reserves of 5,898,000 barrels of oil and natural gas liquids and 39.0 billion cubic feet of natural gas.

At the same date, the companies held land interests in 20,400,000 gross acres of which 394,000 net working interest acres were Crown leases, 166,000 net acres were mineral title lands and 1,915,000 acres were royalty interest acres. Approximately 76 percent of the net working interest acreage and 25 percent of the net mineral title acreage was in Alberta. Approximately 48 percent of the net mineral title acreage was in Saskatchewan and the balance in Manitoba. Royalty interest acreage is mainly in the Northwest Territories (62 percent) and Alberta (30 percent).

For the six month period ended December 31, 1980, during which Campbell and Sigma held oil and gas rights, production amounted to 200,891 barrels of oil and 561,834 thousand cubic feet of natural gas. Consolidated revenue was $3,101,000 after payment of royalties while operating income was $1,313,000 after deducting depletion and depreciation costs of $922,000.

National Energy Program

On October 28, 1980 the Federal Government introduced a National Energy Program (NEP). Several features of this program including constrained prices, a wellhead revenue tax, an excise tax on natural gas and natural gas liquids and the phase-out of depletion allowance for most expenditures on provincial lands will have a negative effect on the cash flow and net profits of all companies engaged in the oil and gas industry in Canada.

The anticipated impact of the NEP on Campbell and Sigma during 1981 will be to reduce operating cash flow from the oil and gas segment of their businesses from the forecast made prior to the program. Offsetting this impact, additions to Campbell and Sigma's oil and gas reserves from discoveries have been greater than originally forecast.

The Company is hopeful that the current negotiations between Federal and Provincial officials will result in higher net-backs to producers in order to create the necessary incentives to develop Canada's great hydrocarbon potentials.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Consolidated earnings increased significantly on the strength of record prices for gold bullion and higher earnings of affiliate, Dome Petroleum Limited. Net income for the year rose to $126,543,000 or $7.25 per share, an increase of 42 percent over the prior year. In 1979, consolidated net income of $89,280,000 or $5.10 per share had increased 70 percent from the previous year.

Consolidated bullion revenue increased 83 percent in 1980 and 60 percent in 1979 as the average price realized on sales was $722 per ounce compared to $373 in 1979 and $230 in 1978. During this period the number of ounces decreased to 329,086 from 347,596 ounces in 1979 and 350,822 ounces in 1978 as a result of the mining of lower average grades of ore, principally at the Sigma property as described more fully on page 9 of this report.

During 1979 and 1980, the Canadian dollar averaged approximately $0.85 U.S., compared to $0.88 U.S. in 1978. The relatively weaker Canadian dollar during the past two years when compared to 1978 has increased consolidated bullion revenue by approximately 3 percent.

Operating costs rose 24 percent in 1980 and 13 percent in 1979 reflecting the continued escalation of costs of labour, supplies and services and, in addition, the increased level of activity. On a consolidated basis, the cost of production per ounce was $167 in 1980, $127 in 1979 and $112 in 1978.

Interests in producing oil and gas properties were acquired by subsidiaries Campbell and Sigma effective July 1, 1980. Consolidated revenue from these properties, after deduction of royalties, amounted to $3,101,000 and operating income before taxes was $1,313,000. The subsidiaries' oil and gas activities are described more fully on pages 17 and 18.

The combined income and mining tax rate was 54.4 percent, up from 45.5 percent in 1979 and 46.5 percent in 1978.

Increases in the statutory rates of income taxes were a factor in the increase in the effective rate to 33.3 percent from 29.2 percent in 1979 and 32.2 percent in 1978. These percentages exclude mining taxes. The rate in 1980 was lower than would otherwise have been the case due to depletion allowances available from expenditures on the development and expansion of mine properties and exploration activities in mining and oil and gas. In 1979, the combined rate was unusually low as a proportion of income as no income taxes resulted from the gain of $16,871,000 on the exchange of shares of Mattagami Lake Mines Limited for shares of Noranda Mines Limited.

Clockwise from bottom left
R. B. Hutchison, Treasurer; G. S. W. Bruce, Vice-President Exploration; K. P. Wright, Chief Metallurgist; H. D. Scharf Controller; C. H. Brehaut, Vice-President, Operations

Mining taxes in Ontario and Quebec are applied on a graduated scale so that higher mine operating income increased the average rate to 23.2 percent from 21.6 percent in 1979 and 18.9 percent in 1978.

Higher interest rates and increased funds available for investment raised interest income 68 percent in 1980 and 133 percent in 1979.

The Company owns 1,846,800 shares or 10.1 percent of Denison Mines Limited. During the year, dividends of $2,770,000 were received from Denison, up from $2,216,000 in 1979.

Dome Mines and its subsidiaries own 25.7 percent (1979 — 25.6 percent) of the outstanding common shares of Dome Petroleum and accounts for its investment using the equity method. In 1980 equity in the earnings of Dome Petroleum were $62,786,000 or $3.59 per share of Dome Mines or approximately 50 percent of net income. In 1979, Dome Petroleum had contributed 46 percent of reported net income or $2.35 per share of Dome Mines, an increase of 42 percent from the prior year. No dividends are received on the Company's holdings of shares of Dome Petroleum.

Dome Mines' investment in Canada Tungsten Mining Corporation Limited is also accounted for by the equity method. In 1980, Dome's share of earnings increased 40 percent to $4,588,000 from $3,274,000 in 1979. Dome received dividends of $1,206,000 from Canada Tungsten in 1980 compared with $1,001,000 in 1979.

Financial Position

Funds from operations

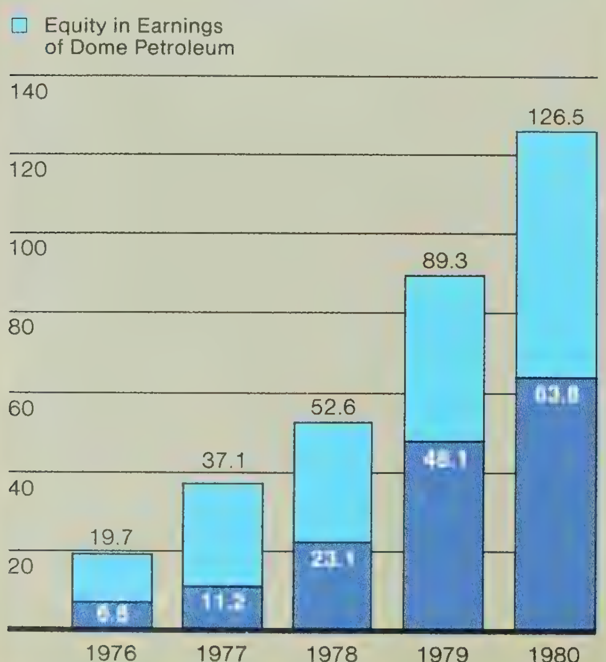
Increased earnings and the deferral of taxes to future years raised funds provided from operations in 1980 to $119,996,000, an increase of 159 percent from last year. In 1979, funds provided from operations were $46,370,000, which was 64 percent higher than in the prior year.

In 1981, funds from operations, which are highly sensitive to fluctuations in bullion prices, are expected to be favourably affected by expanded bullion production by Campbell and by the deferral of additional taxes. The introduction of the National Energy Program negatively affects the funds that would otherwise have resulted from oil and gas production in 1981.

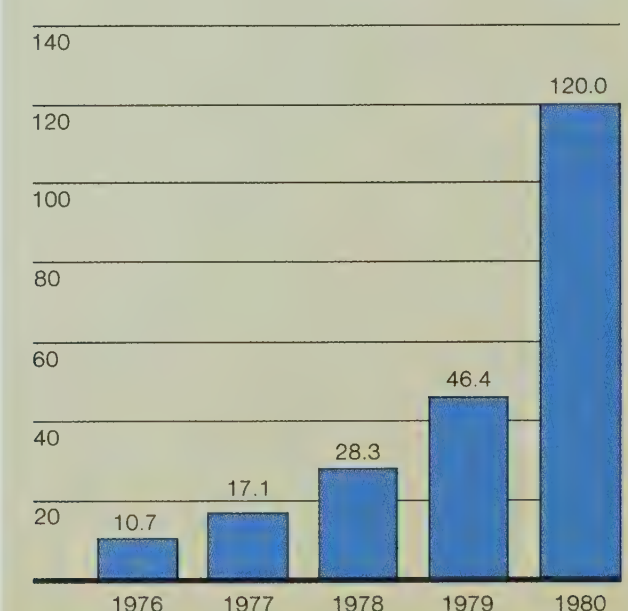
Capital resources and liquidity

In the past, the Company has been able to generate sufficient funds from mine operations to meet its financial requirements without resorting to external debt. Over the next few years, significant outlays are required to meet existing commitments, particularly expansion of the South Porcupine property, development of the Detour Lake project and oil and gas exploration and development. These commitments are expected to be met largely from internally generated funds although, where appropriate, external debt financing might be sought.

Consolidated Net Income
(in millions of Canadian dollars)



Consolidated Funds from Operations
(in millions of Canadian dollars)



ACCOUNTING POLICIES

The consolidated financial statements of Dome Mines Limited ("Dome Mines") have been prepared by management in accordance with accounting principles generally accepted in Canada and are also, in all material respects, in conformity with those generally accepted in the United States, except as disclosed in note 2. The significant accounting policies are as follows:

A. Basis of consolidation

The consolidated financial statements include the accounts of all subsidiary companies, Dome Exploration (Canada) Limited (wholly-owned), Dome Exploration (U.S.) Limited (wholly-owned), Campbell Red Lake Mines Limited (56.9% owned) and Sigma Mines (Quebec) Limited (66.2% owned).

B. Valuation of inventories

Bullion on hand and in transit is valued at estimated net realizable value.

Mining and milling supplies are valued at cost determined on an average cost basis.

C. Investments

(i) Dome Petroleum Limited —

The investment in Dome Petroleum Limited ("Dome Petroleum") is accounted for by the equity method whereby the investment is carried at cost plus the related share of undistributed earnings since acquisition. The excess of the cost of this investment over the underlying book value at the various dates of acquisition is attributable to Dome Petroleum's oil and gas reserves, and is being amortized to income by reference to annual production in relation to the estimated recoverable reserves.

Since Dome Mines owns 25.7% (12,757,200 common shares) of Dome Petroleum and Dome Petroleum owns 39.3% (7,628,946 shares) of Dome Mines, these reciprocal shareholdings result in the Company having an interest of 10.1% in its own shares. The investment in Dome Petroleum and shareholders' equity are therefore reduced by the allocated portion of the cost of this pro rata interest in Dome Mines' shares held by Dome Petroleum, and the equity in the earnings of Dome Petroleum reflected in the consolidated statement of income is based on the earnings of Dome Petroleum excluding the latter's share of earnings of Dome Mines. The portion of dividends paid by Dome Mines which is applicable to Dome Mines' pro rata interest in its own shares held by Dome Petroleum is deducted from dividends paid (as reflected in retained earnings) and added to the investment account in Dome Petroleum.

(ii) Canada Tungsten Mining Corporation Limited —

The investment in Canada Tungsten Mining Corporation Limited ("Canada Tungsten") is also accounted for by the equity method.

(iii) Other investments —

Short-term commercial paper and marketable securities are valued at the lower of cost and market. Other investments are carried at cost.

D. Property, plant and equipment

(i) Mining —

Mine buildings, machinery and equipment are carried at cost with depreciation provided at the rate of 15% per annum on the straight-line method. Mining claims and properties are carried at cost less amounts written off and are being amortized at the rate of 15% per annum on the straight-line method.

Mine exploration, development and preproduction costs on properties with reserves which are potentially economically recoverable are deferred until the start of commercial production and then written off over the estimated economic lives of the properties or producing mines.

Upon sale or retirement, the cost of capital assets and related depreciation or amortization are removed from the accounts and any gain or loss is taken into income. Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

(ii) Oil and gas —

Oil and gas operations are accounted for by the full-cost method whereby all costs of exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expense, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. Depreciation and depletion are computed on the composite unit-of-production method based on proved reserves of oil and gas. Costs of certain undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be ascertained through further exploration. In the calculation, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Gains or losses are not recognized upon disposition of oil and gas properties accounted for by the full-cost method. Upon sale or retirement of other assets, the cost and related depreciation and depletion are removed from the accounts and any gain or loss is taken into income. Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

E. Mining exploration and development

Mining exploration costs incurred prior to the date of establishing that a property has potentially economically recoverable reserves are charged against earnings. On-going development expenditures on producing properties are expensed as incurred.

F. Income and mining taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, timing differences between accounting income and the amount of income reported for tax purposes result in provisions for deferred taxes. Such timing differences arise principally as a result of claiming depreciation, exploration, development and preproduction costs for tax purposes at amounts differing from those recorded in the accounts.

AUDITORS' REPORT

To the Shareholders of
Dome Mines Limited:

We have examined the consolidated balance sheets of Dome Mines Limited as at December 31, 1980 and 1979 and the consolidated statements of income, retained earnings and changes in financial position for the three years ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the three years ended December 31, 1980 in accordance with generally accepted accounting principles consistently applied, except for the change in the method of capitalizing interest by an equity accounted investee as explained in note 2.

Toronto, Canada,
March 10, 1981.

Clarkson Gordon
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME
(in thousands of dollars)

	Years ended December 31		
	1980	1979	1978
Revenue	**$240,642**	$129,716	$80,830
Operating costs	**56,800**	44,187	39,155
Operating income	**183,842**	85,529	41,675
Outside mineral exploration	**5,481**	2,877	2,019
	178,361	82,652	39,656
Other income (expense):			
Interest	**11,911**	7,092	3,048
Dividends	**4,438**	3,140	3,451
Gains realized on investments		16,863	4,997
Other	**56**	(604)	1,274
	16,405	26,491	12,770
Income before taxes and other items	**194,766**	109,143	52,426
Income and mining taxes (note 8)	**106,000**	49,679	24,386
Income after taxes, before other items	**88,766**	59,464	28,040
Equity in earnings of affiliated companies:			
Dome Petroleum Limited (note 2)	**62,786**	41,143	29,487
Canada Tungsten Mining Corporation Limited (note 3)	**4,588**	3,274	3,995
Minority interest in net income of subsidiary companies	**(29,597)**	(14,601)	(8,954)
Net income for the year	**$126,543**	$ 89,280	$52,568
Net income per share (note 9)	**$7.25**	$5.10	$2.95

(See accompanying accounting policies and notes to consolidated financial statements)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(in thousands of dollars)

	Years ended December 31		
	1980	1979	1978
Retained earnings, beginning of year	**$255,943**	$175,334	$129,891
Net income for the year	**126,543**	89,280	52,568
	382,486	264,614	182,459
Dividends (per share: 1980 — $0.90; 1979 — $0.49⅔; 1978 — $0.40)	**17,471**	9,596	7,728
Less portion which is applicable to the pro rata interest in Dome Mines' shares held by Dome Petroleum Limited	**1,731**	925	603
	15,740	8,671	7,125
Retained earnings, end of year	**$366,746**	$255,943	$175,334

(See accompanying accounting policies and notes to consolidated financial statements)

Dome Mines Limited
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	December 31	
ASSETS	**1980**	**1979**
Current assets:		
Cash, including bank term deposits	**$118,338**	$ 82,148
Bullion (note 1)	**11,938**	17,970
Short-term commercial paper		700
Marketable securities	**1,840**	1,944
Sundry receivables	**3,674**	912
Mining and milling supplies	**7,428**	6,149
Total current assets	**143,218**	109,823
Investments:		
Affiliated companies —		
Dome Petroleum Limited (note 2)	**222,871**	149,157
Canada Tungsten Mining Corporation Limited (note 3)	**15,182**	11,662
Other (notes 4 and 6)	**58,296**	54,109
	296,349	214,928
Property, plant and equipment (note 7(a))	**95,878**	9,957
	$535,445	$334,708

The Company follows the full-cost method of accounting for oil and gas operations.

(See accompanying accounting policies

LIABILITIES	December 31 1980	1979
Current liabilities:		
Accounts payable and accrued liabilities —		
Dome Petroleum Limited	$ 11,853	
Other	5,082	$ 4,353
Income and other taxes payable	56,637	32,728
Dividends payable —		
Dome Petroleum Limited	3,433	1,717
Other shareholders	9,009	6,183
Total current liabilities	86,014	44,981
Deferred income and mining taxes	30,106	3,663
Minority interest in subsidiary companies	51,395	32,881
SHAREHOLDERS' EQUITY		
Capital —		
Authorized:		
Unlimited common shares without nominal or par value		
Issued:		
19,398,062 shares (note 6)	34,984	31,000
Contributed surplus	3,606	3,606
Retained earnings	366,746	255,943
	405,336	290,549
Less Dome Mines' pro rata interest in the cost of its own shares held by Dome Petroleum Limited (note 2)	37,406	37,366
Total shareholders' equity	367,930	253,183
	$535,445	$334,708

es to consolidated financial statements)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Years ended December 31		
	1980	1979	1978
Source of working capital:			
Operations —			
Net income for the year	$126,543	$89,280	$ 52,568
Items not affecting working capital:			
Depreciation, depletion and amortization	3,581	1,636	1,399
Deferred income and mining taxes	26,443	1,139	386
Equity in undistributed earnings of —			
Dome Petroleum Limited	(62,786)	(41,143)	(29,487)
Canada Tungsten Mining Corporation Limited	(3,382)	(2,272)	(2,994)
Minority interest in income of subsidiaries	29,597	14,601	8,954
Gains realized on investments		(16,871)	(2,557)
Total funds from operations	119,996	46,370	28,269
Issue of shares (note 6)	3,984		
Proceeds on sale of investments			5,521
Total	123,980	46,370	33,790
Disposition of working capital:			
Dividends	17,471	9,596	7,728
Dividends paid by subsidiaries to minority interests	10,316	6,335	4,925
Investment in property, plant and equipment (including related party amounts in 1980 of $69,985,000) (notes 5 and 11)	85,884	5,550	1,022
Investment in shares of —			
Subsidiaries	4,385		
Dome Petroleum Limited	9,237	1,116	
Canada Tungsten Mining Corporation Limited	137		
Other investments	4,188	32	32,332
Total	131,618	22,629	46,007
Net increase (decrease) in working capital for the year	$ (7,638)	$23,741	$ (12,217)
Changes in components of working capital:			
Increase (decrease) in current assets —			
Cash, including bank term deposits	$36,190	$37,042	$18,668
Bullion	(6,032)	8,148	2,671
Short-term commercial paper	(700)	(4,300)	(15,193)
Marketable securities	(104)	(1,101)	(2,753)
Sundry receivables	2,762	(104)	35
Mining and milling supplies	1,279	1,027	232
	33,395	40,712	3,660
Increase (decrease) in current liabilities —			
Accounts payable and accrued liabilities	12,582	1,350	(366)
Income and other taxes payable	23,909	14,839	13,440
Dividends payable	4,542	782	2,803
	41,033	16,971	15,877
Net increase (decrease) in working capital for the year	(7,638)	23,741	(12,217)
Working capital, beginning of year	64,842	41,101	53,318
Working capital, end of year	$57,204	$64,842	$41,101

(See accompanying accounting policies and notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Bullion

Bullion on hand and in transit is valued at $695 (Cdn.) per ounce (1979 — $578 per ounce).

2. Dome Petroleum Limited

(a) Details of the investment in Dome Petroleums are as follows:

	1980	1979
	(in thousands of dollars)	
Number of common shares	**12,757,200**	12,622,000
Carrying value —		
Cost	**$ 56,724**	$ 47,487
Dome Mines' pro rata cumulative interest in its own dividends paid to Dome Petroleum	**3,931**	2,200
Equity in undistributed earnings	**199,622**	136,836
	260,277	186,523
Less Dome Mines' pro rata interest in its own shares held by Dome Petroleum	**37,406**	37,366
	$222,871	$149,157
Market value (which is not necessarily indicative of realizable value)	**$910,545**	$683,166

The unamortized excess of the cost of the investment over the underlying book value at the various dates of acquisition is $21,562,000 (1979 — $15,712,000).

(b) Summarized financial information for Dome Petroleum is as follows:

(i) Financial position —

	1980	1979
	(in thousands of dollars)	
Assets:		
Current assets	**$ 702,446**	$ 493,303
Investments —		
Dome Mines Limited (net of Dome Petroleum's pro rata interest in its shares held by Dome Mines)	**108,620**	87,165
TransCanada PipeLines Limited	**460,444**	423,645
Other	**43,664**	26,525
Property, plant and equipment	**3,692,078**	2,070,725
Other assets	**71,482**	29,130
	$5,078,734	$3,130,493
Liabilities:		
Current liabilities	**$ 543,800**	$ 380,318
Long-term debt	**2,646,230**	1,332,161
Deferred income taxes	**499,315**	309,037
	3,689,345	2,021,516
Shareholders' equity	**1,389,389**	1,108,977
	$5,078,734	$3,130,493

(ii) Results of operations —

	1980	1979	1978
	(in thousands of dollars)		
Revenue	**$1,143,552**	$945,466	$627,320
Expense:			
Cost of product	**418,494**	328,118	292,117
Operating and general	**173,520**	184,763	94,124
Depreciation	**29,981**	34,015	23,750
Depletion	**53,629**	28,933	7,268
Interest on long-term debt	**149,416**	111,296	46,514
Preferred share dividends of subsidiary	**18,153**	22,871	2,147
	843,193	709,996	465,920
	300,359	235,470	161,400
Income taxes	**84,260**	95,880	47,467
	216,099	139,590	113,933
Equity in earnings of affiliated companies	**71,053**	42,121	11,199
Net income for the year	**$ 287,152**	$181,711	$125,132

(iii) Certain accounting policies of Dome Petroleum are as follows —

The full-cost method of accounting for oil and gas operations is followed.

In order to comply with a change in generally accepted accounting principles, effective January 1, 1980 interest is capitalized on all costs that are excluded from the depletion calculation and on costs incurred during the construction of property, plant and equipment. Once the exploration stage is complete, or the facility commences operations, subsequent interest costs are charged to income. Previously interest was only capitalized where the related financing could be identified with the purchase or construction of property, plant and equipment including the purchase of mineral rights. The effect of this change was to increase 1980 earnings of Dome Petroleum by $54,486,000.

Accordingly, Dome Mines' equity in the earnings of Dome Petroleum and net income were increased by $14,052,000 ($0.80 per share) in 1980.

Long-term debt payable in U.S. funds is translated at rates prevailing at dates the obligations were incurred. This practice differs from U.S. accounting principles which require translation at rates in effect at the year end. Compliance with U.S. accounting principles would have increased Dome Petroleum's long-term debt by $37,587,000 at December 31, 1980 (1979 — $27,586,000) and decreased its earnings by $9,961,000 in 1980, increased its earnings by $3,555,000 in 1979 and decreased its earnings by $19,410,000 in 1978.

Accordingly, Dome Mines' equity in the earnings of Dome Petroleum and net income would have decreased by $2,495,000 in 1980 ($0.14 per share), increased by $891,000 in 1979 ($0.05 per share) and decreased by $4,912,000 in 1978 ($0.28 per share) if U.S. accounting principles had been followed.

Investments in Dome Mines Limited and TransCanada PipeLines Limited are accounted for by the equity method.

(iv) Subsequent event —

The following information is provided in Dome Petroleum's annual report:

"As a result of a prospectus filed March 2, 1981 Dome Canada Limited ("DCL") issued 46,000,000 common shares of a par value of $1.00, carrying the right to receive share purchase warrants, for a net consideration of $433,850,000 representing 52% of the total number of common shares of DCL. The Company acquired a 48% interest in DCL, consideration made by the transfer to DCL of 10,306,886 common shares of TransCanada PipeLines Limited valued at $251,230,346 and cash in the amount of $149,500,391 representing 42,461,535 common shares in DCL.

The ownership of the common shares of DCL will be restricted to certain Canadian individuals and Canadian enterprises to enable DCL to maintain a Canadian ownership level in excess of that level required in order that DCL qualify for the maximum level of grants under the National Energy Program."

3. Canada Tungsten Mining Corporation Limited

Details of the investment in Canada Tungsten are as follows:

	1980	1979
	(in thousands of dollars)	
Number of shares	**1,005,995**	1,000,912
Carrying value:		
Cost	**$ 1,289**	$ 1,152
Equity in undistributed earnings	**13,893**	10,510
	$15,182	$11,662
Market value (which is not necessarily indicative of realizable value)	**$40,240**	$21,520

4. Other investments

Details of other investments are as follows:

	1980		1979	
	Cost	Market value	Cost	Market value
	(in thousands of dollars)			
With a quoted market value —				
Denison Mines Limited, 1,846,800 common shares	**$31,477**	**$105,268**	$31,477	$69,256
Noranda Mines Limited, 1,333,332 Class A shares	**20,444**	**40,000**	20,444	29,667
	51,921	**$145,268**	51,921	$98,923
With no quoted market value —				
Panarctic Oils Ltd., 622,962 common shares	**2,122**		1,977	
Sundry (note 6)	**4,253**		211	
Total	**$58,296**		$54,109	

5. Oil and gas properties

Effective July 1, 1980, Campbell Red Lake Mines Limited and Sigma Mines (Quebec) Limited acquired for cash from Dome Petroleum a 5 percent interest in the oil and gas rights to certain producing properties and wells in progress located principally in Western Canada at a cost of $42,260,000. In addition, Campbell and Sigma earned a 5 percent interest in other non-producing properties located principally in Western Canada in return for a commitment to incur and pay $99,480,000 of exploration costs in a program managed by Dome Petroleum. To December 31, 1980 the companies had incurred $19,609,000 of the committed exploration expenditures.

Under the terms of the agreements, Campbell and Sigma have the right to participate in further exploration and development work to maintain their interests and to participate in further on-shore acquisitions by Dome Petroleum.

6. Capital

During the year 78,050 shares were issued at market value to officers and employees of the Company under the Key Employee Share Purchase Plan and interest-free loans were provided to the participants to facilitate their purchase. At December 31, 1980, loans receivable for shares issued under the plan totalled $3,941,000 and are included in other investments.

7. Business segments

The Board of Directors has determined that mining and oil and gas exploration and production are the business segments of the Company. The Company's activities are carried out principally in Canada. Selected financial information by business segment is summarized below.

(a) Total assets at December 31 are summarized as follows:

	1980	1979
	(in thousands of dollars)	
Mining —		
Buildings, machinery and equipment	$ 43,940	$ 31,822
Less accumulated depreciation	26,882	24,874
	17,058	6,948
Land, mining claims and properties	3,483	367
Deferred exploration and development costs	9,156	802
	29,697	8,117
Current assets	23,040	25,031
	52,737	33,148
Oil and gas —		
Property, plant and equipment	67,103	1,840
Less accumulated depreciation and depletion	922	
	66,181	1,840
Assets not allocated to business segments —		
Current assets	120,178	84,792
Investments	296,349	214,928
Total assets	$535,445	$334,708

(b) Expenditures on property, plant and equipment during the year are summarized as follows:

	1980	1979	1978
		(in thousands of dollars)	
Mining	$23,799	$5,550	$1,022
Oil and gas	65,263		
	$89,062	$5,550	$1,022

(c) Revenue, operating costs and operating income by segment are as follows:

	1980	1979	1978
	(in thousands of dollars)		
Mining —			
Bullion revenue	**$237,541**	$129,716	$80,830
Operating costs:			
Mine, mill and plant	**45,205**	37,050	33,458
General and administrative	**7,148**	5,501	4,298
Depreciation and amortization	**2,659**	1,636	1,399
	55,012	44,187	39,155
Segment operating income	**182,529**	85,529	41,675
Oil and gas —			
Revenue	**3,101**		
Operating costs:			
Operations	**686**		
General and administrative	**180**		
Depreciation and depletion	**922**		
	1,788		
Segment operating income	**1,313**		
Total operating income	**183,842**	85,529	41,675
Outside mineral exploration	**(5,481)**	(2,877)	(2,019)
Other income	**16,405**	26,491	12,770
Income and mining taxes	**(106,000)**	(49,679)	(24,386)
Equity in earnings of affiliated companies —			
Dome Petroleum Limited	**62,786**	41,143	29,487
Canada Tungsten Mining Corporation Limited	**4,588**	3,274	3,995
Minority interest in net income of subsidiary companies	**(29,597)**	(14,601)	(8,954)
Net income	**$126,543**	$ 89,280	$52,568

8. Income and mining taxes

(a) Income and mining taxes expense is as follows:

	Current	Deferred	Total
	(in thousands of dollars)		
1980			
Federal income	**$31,543**	**$16,012**	**$ 47,555**
Provincial income	**10,492**	**6,903**	**17,395**
Provincial mining	**37,522**	**3,528**	**41,050**
	$79,557	**$26,443**	**$106,000**
1979			
Federal income	$23,049	$ 683	$23,732
Provincial income	7,797	322	8,119
Provincial mining	17,694	134	17,828
	$48,540	$1,139	$49,679
1978			
Federal income	$12,280	$250	$12,530
Provincial income	4,238	136	4,374
Provincial mining	7,482		7,482
	$24,000	$386	$24,386

(b) The difference between the combined federal and provincial basic statutory rates and that used in calculating the income and mining taxes expense is as follows:

	1980	1979	1978
Income taxes —			
Basic statutory rate (combined)	**50.9%**	49.1%	48.7%
Less:			
Resource allowance	**9.5**	7.3	7.6
Depletion	**6.5**	3.2	3.6
Exempt income*	**1.2**	9.2	5.2
Sundry	**0.4**	0.2	0.1
	17.6	19.9	16.5
Effective rate	**33.3**	29.2	32.2
Mining taxes —			
Average rate on mining income	**23.2**	21.6	18.9
Reduction for income not subject to mining taxes	**2.1**	5.3	4.6
Effective rate	**21.1**	16.3	14.3
Combined income and mining tax rate	**54.4%**	45.5%	46.5%

*Principally dividends from Canadian corporations and the non-taxable portion of capital gains.

(c) Deferred taxes arising from the deduction for tax purposes of amounts in excess of depreciation, depletion and amortization expensed in the accounts are as follows:

	1980	1979	1978
	(in thousands of dollars)		
Capital cost allowance	$ 3,891	$ 918	$386
Exploration, development and preproduction costs	20,875	373	
Other	1,677	(152)	—
	$26,443	$1,139	$386

9. **Earnings per share**

Earnings per share are calculated by using the weighted average number of shares outstanding during the year after deducting the Company's pro rata interest in its own shares (1980 — 1,926,657; 1979 — 1,813,036; 1978 — 1,507,701) held by Dome Petroleum.

10. **Pension plans**

Substantially all employees are eligible for and are members of pension plans which require contributions by the Company. Pension costs are calculated and funded based on actuarial estimates. At December 31, 1980 there are no unfunded past service liabilities. Pension expense was $1,263,000 for 1980, $1,281,000 for 1979 and $425,000 for 1978.

Vested and non-vested benefits under the plans and the net assets available for plan benefits are as follows:

	December 31	
	1980	**1979**
	(in thousands of dollars)	
Actuarial present value of accumulated plan benefits, using an assumed discount rate of 5.5 percent:		
Vested benefits	**$11,005**	$8,832
Non-vested benefits	**584**	391
	$11,589	$9,223
Net assets available for plan benefits	**$11,590**	$9,434

11. **Related party transactions**

During the year, a total of $70,304,000 was paid to related parties. In addition to the transactions described in note 5, a company controlled by a Director of Campbell received $4,825,000 for performing exploration and development work.

12. **Oil and gas producing activities**

The following information summarizes Dome Mines' subsidiaries oil and gas producing activities in Canada and its proportionate share of equity accounted investees, Dome Petroleum and Canada Tungsten Mining Corporation Limited.

(a) **Capitalized costs**

	December 31	
	1980	**1979**
	(in thousands of dollars)	
Dome Mines —		
Proved and unproved properties	**$67,103**	$1,840
Accumulated depreciation and depletion	**922**	
	$66,181	$1,840
Equity accounted investees —		
Proved and unproved properties (net)	**$771,819**	$384,358

(b) **Costs incurred** (capitalized and expensed)

	1980	1979	1978
	(in thousands of dollars)		
Dome Mines —			
Property acquisitions	$39,847	—	—
Exploration	24,831	—	—
Development	585	—	—
Production	686	—	—
Depreciation and depletion	922	—	—

Equity accounted investees —

	CANADA			UNITED STATES			TOTAL		
	1980	1979	1978	1980	1979	1978	1980	1979	1978
				(in thousands of dollars)					
Property acquisitions	$174,804	$134,013	$12,490	$51,107	$6,179	$1,509	$225,911	$140,192	$13,999
Exploration	99,819	37,477	22,840	10,832	8,835	4,443	110,651	46,312	27,283
Development	52,218	37,071	16,190	10,326	5,567	1,550	62,544	42,638	17,740
Production	14,732	6,555	4,919	2,740	251	195	17,472	6,806	5,114
Depreciation and depletion	12,789	8,321	2,313	2,859	1,058	457	15,648	9,379	2,770

(c) **Revenue, net of royalties and lifting costs**

	CANADA			UNITED STATES			TOTAL		
	1980	1979	1978	1980	1979	1978	1980	1979	1978
				(in thousands of dollars)					
Dome Mines	$2,415	—	—	—	—	—	$2,415	—	—
Equity accounted investees	$76,076	$42,720	$23,296	$8,099	$1,000	$505	$84,175	$43,720	$23,801

QUARTERLY FINANCIAL INFORMATION

Summarized unaudited quarterly financial data for 1980 and 1979 is as follows:

	Quarters Ended				Full
	March 31	June 30	Sept. 30	Dec. 31	Year
	(in thousands except per share)				
1980					
Revenue	$61,266	$48,007	$67,890	$63,479	$240,642
Operating income	$48,352	$34,295	$54,015	$47,180	$183,842
Equity in earnings of Dome Petroleum	$10,520*	$10,796*	$25,528*	$15,942	$ 62,786
Net income	$26,814*	$24,145*	$44,166*	$44,166	$126,543
Net income per share	$1.54*	$1.38*	$2.53*	$1.80	$7.25
1979					
Revenue	$25,995	$24,890	$31,984	$46,847	$129,716
Operating income	$15,658	$14,065	$21,039	$34,767	$ 85,529
Gains realized on investments	$16,863				$ 16,863
Equity in earnings of Dome Petroleum	$ 5,793	$ 5,939	$14,449	$14,962	$ 41,143
Net income	$27,699	$11,642	$21,988	$27,951	$ 89,280
Net income per share	$1.57	$0.67	$1.26	$1.60	$5.10

* Restated to reflect the change in the method of capitalizing interest by Dome Petroleum Limited

FINANCIAL REPORTING AND CHANGING PRICES

Over the past few years, accounting bodies in Canada and the United States have been developing standards for disclosing the effects of changing prices and inflation on business operations.

In the United States, FASB Statement No. 33 requires large companies to disclose supplementary information prepared on both a historical cost/constant dollar basis and a current cost basis. Statement No. 39 applies the requirements for the measurement of current costs and related expenses to the mineral resource assets of mining and oil and gas companies. In addition, mining companies are required to present estimates of significant quantities of proved, or proved and probable, mineral reserves, commercially recoverable minerals, quantities produced and selling prices.

In Canada, the Canadian Institute of Chartered Accountants (CICA) has received a number of responses to its December, 1979 exposure draft on current cost accounting. Task forces were established to deal with current cost issues relating to specialized industries, including mining and oil and gas, and reports from each of these have been submitted. The responses and submissions are currently being reviewed and recommendations from the CICA will likely be issued during 1981.

The proposals of the CICA are expected to differ from those in FASB Statements No. 33 and No. 39 in the United States. In view of this, the Company will review during 1981 the alternatives available so as to determine the most appropriate presentation for disclosing as supplementary information the effects of changing prices and inflation on its operations.

Dome Mines Limited

CONSOLIDATION SCHEDULE

(in thousands except per share data)

	December 31, 1980			
	Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited
Dome Mines' ownership		56.9%	66.2%	
Revenue:				
Mining	$62,578	$136,314	$38,649	$237,541
Oil and gas		2,481	620	3,101
	62,578	138,795	39,269	240,642
Operating costs:				
Mining —				
Operations	23,397	15,422	13,534	52,353
Depreciation and amortization	1,222	1,286	151	2,659
	24,619	16,708	13,685	55,012
Oil and gas —				
Operations		693	173	866
Depletion and depreciation		738	184	922
		1,431	357	1,788
Total operating costs	24,619	18,139	14,042	56,800
Operating income	37,959	120,656	25,227	183,842
Outside mineral exploration	2,319	1,879	1,283	5,481
	35,640	118,777	23,944	178,361
Other income (expense):				
Interest	2,601	7,660	1,650	11,911
Dividends	3,053	1,108	277	4,438
Gains realized on investments				
Other	18	38		56
	5,672	8,806	1,927	16,405
Income before taxes and other items	41,312	127,583	25,871	194,766
Income and mining taxes:				
Federal income tax	9,225	31,900	6,430	47,555
Provincial income tax	3,700	11,455	2,240	17,395
Provincial mining tax	8,285	28,745	4,020	41,050
	21,210	72,100	12,690	106,000
Income after taxes, before other items	20,102	55,483	13,181	88,766
Equity in earnings of affiliates:				
Dome Petroleum	59,760	2,040	986	62,786
Canada Tungsten	4,588			4,588
Income before minority interest	84,450	57,523	14,167	156,140
Minority interest		(24,815)	(4,782)	(29,597)
Dome Mines' share of net income	$84,450	$ 32,708	$ 9,385	$126,543
Amount per share of Dome Mines	$4.84	$1.87	$0.54	$7.25
Working capital:				
Current assets	$48,032	$82,875	$17,635	$143,218
Current liabilities	23,493	57,600	10,261	86,014
	$24,539	$25,275	$ 7,374	$ 57,204
Total assets	$396,578	$178,155	$39,748	$535,445
Additions to fixed assets	$8,956	$63,582	$13,346	$85,884

December 31, 1979				December 31, 1978			
ome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited	Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited
	56.8%	62.6%			56.8%	62.6%	
$35,149	$70,055	$24,512	$129,716	$21,782	$42,138	$16,910	$80,830
35,149	70,055	24,512	129,716	21,782	42,138	16,910	80,830
18,908	12,212	11,431	42,551	16,690	10,764	10,302	37,756
510	999	127	1,636	403	880	116	1,399
19,418	13,211	11,558	44,187	17,093	11,644	10,418	39,155
19,418	13,211	11,558	44,187	17,093	11,644	10,418	39,155
15,731	56,844	12,954	85,529	4,689	30,494	6,492	41,675
1,336	1,108	433	2,877	935	756	328	2,019
14,395	55,736	12,521	82,652	3,754	29,738	6,164	39,656
1,397	4,681	1,014	7,092	406	2,180	462	3,048
2,033	886	221	3,140	1,881	1,256	314	3,451
16,863			16,863	4,990	7		4,997
(146)	(385)	(73)	(604)	156	873	245	1,274
20,147	5,182	1,162	26,491	7,433	4,316	1,021	12,770
34,542	60,918	13,683	109,143	11,187	34,054	7,185	52,426
3,780	16,318	3,634	23,732	1,647	9,027	1,856	12,530
1,433	5,458	1,228	8,119	750	2,928	696	4,374
2,815	13,033	1,980	17,828	735	5,955	792	7,482
8,028	34,809	6,842	49,679	3,132	17,910	3,344	24,386
26,514	26,109	6,841	59,464	8,055	16,144	3,841	28,040
39,328	1,210	605	41,143	28,190	865	432	29,487
3,274			3,274	3,995			3,995
69,116	27,319	7,446	103,881	40,240	17,009	4,273	61,522
	(11,813)	(2,788)	(14,601)		(7,355)	(1,599)	(8,954)
$69,116	$15,506	$ 4,658	$ 89,280	$40,240	$ 9,654	$ 2,674	$52,568
$3.95	$0.88	$0.27	$5.10	$2.26	$0.54	$0.15	$2.95
$30,070	$67,019	$17,664	$109,823	$17,780	$45,451	$10,310	$69,111
11,610	30,957	7,361	44,981	7,677	20,658	4,121	28,010
$18,460	$36,062	$10,303	$ 64,842	$10,103	$24,793	$ 6,189	$41,101
$265,473	$94,850	$24,850	$334,708	$197,168	$68,639	$16,764	$244,107
$1,459	$3,949	$142	$5,550	$226	$519	$177	$1,022

SUPPLEMENTARY OIL AND GAS INFORMATION

Oil and gas reserves

Net proved reserves of oil and gas as defined by the United States' Securities and Exchange Commission (SEC) and as determined by the engineers of Dome Petroleum are presented below.

In the following tables, oil (including natural gas liquids) is stated in thousands of barrels and gas in billions of cubic feet.

Details of net proved reserves acquired by Campbell and Sigma effective July 1, 1980 together with changes for the six month period to December 31, 1980 are as follows:

	Canada	
	Oil	Gas
Proved developed and undeveloped reserves:		
Purchases of minerals-in-place, July 1, 1980	6,075	38.9
Extensions, discoveries and other additions	24	0.7
Production	(201)	(0.6)
Proved developed and undeveloped reserves, December 31, 1980	5,898	39.0
Proved developed reserves, December 31, 1980	4,560	21.2

The Company's proportionate interest in the proved developed and undeveloped reserves of Dome Petroleum, which is accounted for by the equity method, is as follows:

	Canada		United States		Total	
	Oil	Gas	Oil	Gas	Oil	Gas
December 31, 1980	54,005	420	3,162	31	57,167	451
December 31, 1979	30,985	356	1,061	13	32,046	369
December 31, 1978	27,171	290	602	6	27,773	296

Estimated future net revenues and the present value thereof

Estimated future net revenues from estimated production of proved and proved developed oil and gas reserves and the present value of such estimated future net revenues as determined by the engineers of Dome Petroleum are set forth below. In computing future net revenues, oil and gas prices used were equal to the actual year end prices with no provision for future increases. Future expenditures for both developing and producing the proved reserves are included in the calculations based on costs incurred in 1980 for similar activities. In determining the present value of estimated future net revenue, an annual discount factor of 10 percent was applied. Assumptions for prices, costs and the discount factor are based on guidelines issued by the SEC.

Estimated future net revenues in thousands of dollars are as follows:

	Canada	
	Proved	Proved Developed
1981	$ 9,107	$ 6,708
1982	8,507	6,164
1983	8,015	5,733
1984 and subsequent	72,093	49,354
	$97,722	$67,959
Present value as at December 31, 1980	$52,448	$36,928

In the opinion of Management, the present value as defined should not be construed as the fair market value of the Company's oil and gas properties. Future prices and costs under present economic conditions are not expected to remain at December 31, 1980 levels and the 10 percent discount factor is arbitrary.

The Company's proportionate interest in the present value of estimated future net revenues of Dome Petroleum in thousands of dollars is as follows:

	Canada		United States		Total	
	Proved	Proved Developed	Proved	Proved Developed	Proved	Proved Developed
December 31, 1980	$790,201	$441,321	$130,342	$117,066	$920,543	$558,387
December 31, 1979	437,051	256,767	47,940	26,427	484,991	283,194

Reserve Recognition Accounting

The SEC has concluded that the traditional methods of accounting (i.e. full-cost or successful efforts) fail to provide sufficient information to disclose operating results of oil and gas producers. As a result, SEC regulations require that the Company prepare supplemental information which reports oil and gas producing activities in accordance with a method of accounting called Reserve Recognition Accounting (RRA).

Under the RRA method of accounting a value is ascribed to reserves of oil and gas at the time of discovery rather than at the time of production and reserves are recorded as assets. Income is based on the present value of the estimated future net revenue stream. The RRA presentations are based on uniform assumptions to be applied by all oil and gas producers.

The following information summarizes oil and gas producing activities of Campbell and Sigma on the basis of RRA from the effective date of acquisition of the properties, July 1, 1980 to December 31, 1980 in thousands of dollars:

Additions to proved reserves:	
New field discoveries and extensions	$ 336
Amortization of deferred gain*	484
	820
Related exploration and development costs incurred:	
Acquisition of unproved properties	1,563
Exploration	24,831
Development	146
Deferred costs	(26,394)
	146
RRA income before income taxes	674
Provision for income taxes	349
Results of oil and gas activities following RRA	$ 325

* During 1980, Campbell and Sigma purchased for $36,351,000 proved oil and gas reserves which had a present value of estimated future net revenues of $54,527,000. The excess of the present value of estimated future revenues over the purchase price is being amortized over the lives of the related properties.

On the basis of RRA, the change in the valuation of Campbell and Sigma's proved reserves of oil and gas in thousands of dollars, is as follows:

RRA valuation of proved reserves acquired July 1, 1980	$54,527
New field discoveries and additions	336
Production, net of lifting costs	(2,415)
RRA valuation of proved reserves, December 31, 1980	$52,448

The Company's proportionate interest in the results of the oil and gas activities of Dome Petroleum on the basis of RRA was $50,999,000 in 1980 and $53,715,000 in 1979.

Dome Mines Limited

FIVE YEAR REVIEW

	1980	1979	1978	1977	1976
Financial					
(in thousands of dollars except per share)					
Revenue	**$240,642**	$129,716	$80,830	$59,067	$46,716
Operating costs	**56,800**	44,187	39,155	34,683	32,414
Operating income	**183,842**	85,529	41,675	24,384	14,302
Outside mineral exploration	**5,481**	2,877	2,019	1,803	1,722
	178,361	82,652	39,656	22,581	12,580
Other income	**16,405**	26,491	12,770	4,927	5,004
Income before the following	**194,766**	109,143	52,426	27,508	17,584
Income and mining taxes	**106,000**	49,679	24,386	13,738	8,498
	88,766	59,464	28,040	13,770	9,086
Equity in earnings of —					
Dome Petroleum	**62,786**	41,143	29,487	25,888	12,843
Canada Tungsten(1)	**4,588**	3,274	3,995	3,039	1,286
Minority interest	**(29,597)**	(14,601)	(8,954)	(5,589)	(3,563)
Net income for the year (1)	**$126,543**	$89,280	$52,568	$37,108	$19,652
Net income per share(1)(2)(3)	**$7.25**	$5.10	$2.95	$2.08	$1.09
Dividends declared	**$17,471**	$9,596	$7,728	$6,440	$5,032
Dividends per share(3)	**$0.90**	$0.49⅔	$0.40	$0.33⅓	$0.26⅔
Working capital	**$57,204**	$64,842	$41,101	$53,318	$50,039
Total assets(1)(4)	**$535,445**	$334,708	$244,107	$180,067	$141,106
Additions to fixed assets	**$85,884**	$5,550	$1,022	$906	$1,020
Shareholders' equity(1)(4)	**$367,930**	$253,183	$188,959	$145,211	$113,999
Shares outstanding(3)	**19,398,062**	19,320,012	19,320,012	19,320,012	19,320,012
Number of shareholders	**9,328**	7,540	6,793	7,029	7,444

(1) Restated to reflect the adoption in 1978 of the equity method of accounting for Canada Tungsten.

(2) Calculated using the weighted average number of shares outstanding after deducting the company's pro rata interest in its own shares held by Dome Petroleum.

(3) Restated to reflect the three for one share split June 8, 1979.

(4) Restated to reflect adjustment in 1978 for prior years' dividends paid by Dome Mines which are applicable to Dome Mines' pro rata interest in its own shares held by Dome Petroleum.

	1980	1979	1978	1977	1976
Operations					
Dome Mines (Unconsolidated)					
Tons milled	**678,000**	664,000	679,000	686,000	708,000
Fine ounces	**85,893**	94,702	94,161	94,261	119,504
Ore reserves (000's of tons)	**2,150**	1,896	1,859	1,867	1,890
Revenue per ounce	**$728.55**	$371.15	$231.33	$164.69	$122.28
Operating cost per ounce	**$281.46**	$205.04	$181.53	$152.31	$120.03
Operating cost per ton	**$35.65**	$29.25	$25.17	$20.93	$20.25
Number of employees	**734**	677	645	620	556
Campbell Red Lake Mines					
Mining —					
Tons milled	**304,000**	300,000	301,000	297,000	301,000
Fine ounces	**189,536**	185,005	183,546	191,031	184,610
Ore reserves (000's of tons)	**2,250**	1,977	1,899	1,856	1,734
Revenue per ounce	**$719.20**	$378.66	$229.58	$162.51	$123.88
Operating cost per ounce	**$88.15**	$71.41	$63.44	$55.80	$51.33
Operating cost per ton	**$55.00**	$44.00	$38.75	$35.86	$31.53
Number of employees	**382**	342	338	334	342
Oil and Gas —					
Production					
Oil and gas liquids — bbls	**160,713**				
Gas — mcf	**449,467**				
Reserves (000's)					
Oil and gas liquids — bbls	**4,718**				
Gas — mmcf	**31.2**				
Sigma Mines					
Mining —					
Tons milled	**484,000**	491,000	493,000	496,000	499,000
Fine ounces	**53,657**	67,889	73,115	77,598	75,284
Ore reserves (000's tons)	**1,223**	1,240	1,262	1,262	1,232
Revenue per ounce	**$720.30**	$361.05	$231.28	$161.06	$122.64
Operating cost per ounce	**$255.05**	$170.25	$142.50	$124.58	$114.15
Operating cost per ton	**$28.28**	$23.52	$21.12	$19.48	$17.23
Number of employees	**410**	378	384	377	360
Oil and Gas —					
Production					
Oil and gas liquids — bbls	**40,178**				
Gas — mcf	**112,367**				
Reserves (000's)					
Oil and gas liquids — bbls	**1,180**				
Gas — mmcf	**7.8**				

SHARE INFORMATION

Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded. Shown below are the high and low sale prices for the Company's shares on these exchanges for the periods indicated.

New York Stock Exchange (United States Dollars)	1980 High	1980 Low	1979 High	1979 Low
First Quarter	$ 79¼	$ 48	$33½	$24⅜
Second Quarter	103	51¼	41⅝	27¾
Third Quarter	132⅝	91½	47⅞	34⅜
Fourth Quarter	130¾	79½	52	36¼

Toronto Stock Exchange (Canadian Dollars)	1980 High	1980 Low	1979 High	1979 Low
First Quarter	$ 91	$ 59	$39⅛	$29⅝
Second Quarter	118	61½	48¾	32
Third Quarter	154	106½	56	40¼
Fourth Quarter	151½	97	60½	43

Dividends

The dividends declared in Canadian dollars on the Company's shares for each quarterly period during 1980 and 1979 are shown below.

	1980 Regular	1980 Extra	1980 Total	1979 Regular	1979 Extra	1979 Total
First Quarter	$0.15		$0.15	$0.06⅔		$0.06⅔
Second Quarter	0.15		0.15	0.08		0.08
Third Quarter	0.15		0.15	0.12½		0.12½
Fourth Quarter	0.15	$0.30	0.45	0.12½	$0.10	0.22½
Total	$0.60	$0.30	$0.90	$0.39⅔	$0.10	$0.49⅔

A quarterly dividend of $0.15 per share was declared by the Board of Directors on March 18, 1981 payable May 25, 1981 to shareholders of record April 27, 1981.

The Company has paid dividends since 1920 and expects to continue to do so. However, the decision to pay dividends is at the discretion of the Board of Directors and is governed by such factors as earnings, capital requirements and the operating and financial condition of the Company.

Dividends are declared in Canadian dollars. However at the request of the shareholder an equivalent amount will be paid in United States funds.

Cash dividends paid to non-residents of Canada are subject to Canadian withholding taxes. For shareholders resident in the United States the current rate of withholding tax is 10 percent.

Exchange Listings

The Company's shares are listed on The New York Stock Exchange in the United States, on The Toronto and Montreal Stock Exchanges in Canada and are traded on the Paris Bourse.

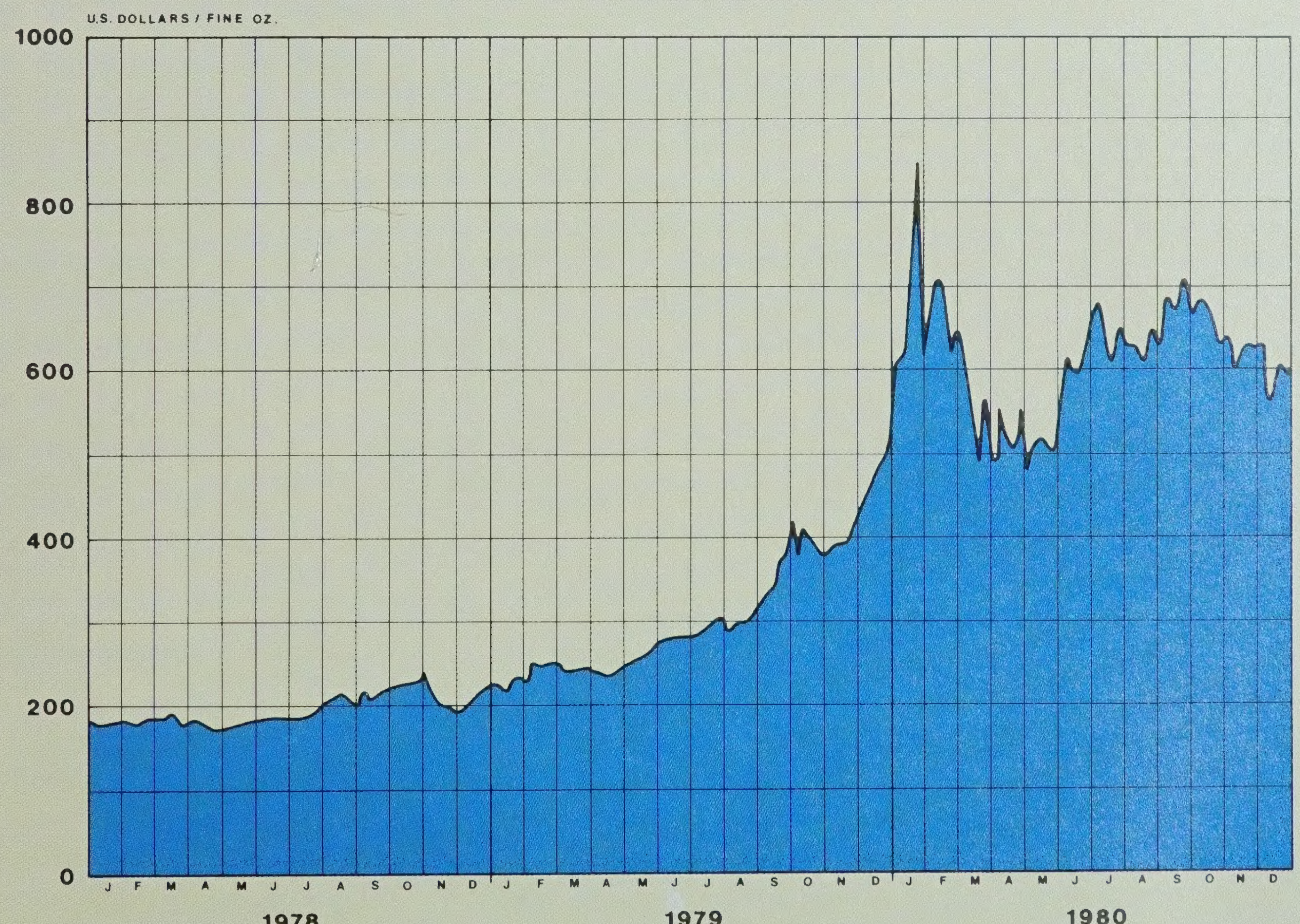
The shares are also admitted for unlisted trading on the Detroit and Midwest Stock Exchanges in the United States.

Stock symbol: DM

Shareholders

As at December 31, 1980 there were 19,398,062 common shares issued and outstanding, of which 7,628,946 or 39.3 percent are owned by Dome Petroleum. The Company's records indicate that there were 9,328 shareholders at year end.

There are no limitations on the right of non-residents to hold or vote the shares of the Company.



GOLD PRICE

LONDON DAILY 2nd FIXING – U.S. DOLLARS

DIRECTORS

°†**A. Bruce Matthews,**
Chairman,
Toronto, Ontario
President,
Matthews & Company, Inc.

°**Malcolm A. Taschereau,**
President,
Toronto, Ontario
Dome Mines Limited

•**René Amyot, Q.C.,**
Quebec, Quebec
Partner, Amyot, Lesage,
Bernard, Drolet & Associés

°**Fraser M. Fell, Q.C.,**
Secretary,
Toronto, Ontario
Partner, Fasken & Calvin

°**John P. Gallagher,**
Calgary, Alberta
Chairman and Chief Executive,
Dome Petroleum Limited

***William F. James,**
Toronto, Ontario
Partner, James & Buffam

†**Maclean E. Jones, Q.C.,**
Calgary, Alberta
Partner, Bennett Jones

*°†**Allen T. Lambert,**
Toronto, Ontario
Retired Chairman,
The Toronto-Dominion Bank

‡**John K. McCausland,**
Toronto, Ontario
Retired Vice-President,
Wood Gundy Limited

•**Alan R. McFarland,**
New York, U.S.A.
General Partner,
Lazard, Frères & Co.

****Clifford L. Michel,**
New York, U.S.A.
Partner, Cahill Gordon & Reindel

‡**F. Warren Pershing,**
New York, U.S.A.
Chairman Emeritus,
Pershing Division of
Donaldson, Lufkin & Jenrette
Securities Company

***James B. Redpath,**
Toronto, Ontario
Retired President,
Dome Mines Limited

William E. Richards,
Calgary, Alberta
President,
Dome Petroleum Limited

° Executive Committee Member
† Management Resources and Compensation Committee Member
* Audit Committee Member

‡ Deceased in 1980
** Resigned in 1980
• Appointed March 18, 1981

OFFICERS

A. Bruce Matthews,
Chairman

Malcolm A. Taschereau,
President and
Chief Executive Officer

C. Henry Brehaut,
Vice-President, Operations

G. S. Wallace Bruce,
Vice-President, Exploration

Fraser M. Fell, Q.C.,
Secretary

John W. W. Hick,
Assistant Secretary

John H. Hough,
Assistant Secretary

Robert B. Hutchison,
Treasurer

Robert J. Perry,
General Superintendent

Harry V. Pyke,
Manager

H. Douglas Scharf,
Controller

Kenneth P. Wright,
Chief Metallurgist

CORPORATE

Executive Office
Box 270, Suite 2700
1 First Canadian Place
Toronto, Ontario
M5X 1H1
(416) 364-3453

Location of Mine
Dome Mines Limited,
South Porcupine, Ontario
P0N 1H0

Address of the Secretary
Box 30,
Toronto-Dominion Centre,
Toronto, Ontario
M5K 1C1

Transfer Agents
The Royal Trust Company,
Box 7500
Toronto-Dominion Centre
Toronto, Ontario
M5W 1P9

The Bank of New York,
48 Wall Street
New York, N.Y. 10015

Auditors
Clarkson Gordon
Toronto, Ontario

Registrars
Canada Permanent Trust Company,
320 Bay Street,
Toronto, Ontario
M5H 2P6

The Toronto-Dominion Bank Trust Company,
45 Wall Street,
New York, N.Y. 10005

General Counsel
Fasken & Calvin,
Toronto, Ontario

Annual Report

Copies of the Annual Report of the Company, Campbell Red Lake Mines Limited or Sigma Mines (Quebec) Limited are available by writing to Box 270, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1H1.

Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available by writing to The Secretary, Box 30, Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1C1.

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(Canada) Limited